

COPY

BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE BOARD OF DIRECTORS)
FOR UTILITIES OF THE DEPARTMENT OF)
PUBLIC UTILITIES OF THE CITY OF)
INDIANAPOLIS, AS SUCCESSOR TRUSTEE)
OF A PUBLIC CHARITABLE TRUST, D/B/A)
CITIZENS GAS & COKE UTILITY FOR (1))
AUTHORITY TO INCREASE ITS RATES AND)
CHARGES FOR GAS UTILITY SERVICE AND)
APPROVAL OF A NEW SCHEDULE OF)
RATES AND CHARGES APPLICABLE)
THERE TO, (2) AUTHORITY, TO THE EXTENT)
NECESSARY AS AN ALTERNATIVE)
REGULATORY PLAN, TO RECOVER THE GAS)
COST COMPONENT OF ITS NET WRITE-OFFS IN)
ITS GAS COST ADJUSTMENT FILINGS,)
(3) AUTHORITY PURSUANT TO 170 IAC 5-1-27(F))
FOR A NON-GAS COST REVENUE TEST TO)
DETERMINE WHEN DEPOSITS ARE REQUIRED)
FOR EXTENSION OF FACILITIES, (4) APPROVAL)
OF OTHER CHANGES TO ITS GENERAL TERMS)
AND CONDITIONS FOR GAS SERVICE, AND (5))
APPROVAL OF NEW DEPRECIATION ACCRUAL)
RATES)

CAUSE NO. 43463

FILED

MAR 28 2008

INDIANA UTILITY
REGULATORY COMMISSION

DIRECT TESTIMONY AND EXHIBITS OF

CRAIG A. JONES

and

RUSSELL A. FEINGOLD

On Behalf of Petitioner,
Citizens Gas & Coke Utility

Volume IV

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March 28, 2008

Handwritten text, mostly illegible due to fading and bleed-through. The text appears to be a letter or a report, with several lines of cursive script. Some words like "Dear" and "Yours" are faintly visible.

Very truly yours,
[Illegible signature]

Handwritten text at the bottom of the page, possibly a postscript or a second paragraph. It includes phrases like "I am" and "with" but is largely illegible.

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VOLUME IV
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DIRECT TESTIMONY
of
CRAIG A. JONES

On
Behalf of
Petitioner

Citizens Gas & Coke Utility

Petitioner's Exhibit CAJ

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Craig A. Jones. My business address is 2020 N. Meridian Street,
3 Indianapolis, Indiana 46202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by the Board of Directors for Utilities (the "Board") of the
6 Department of Public Utilities of the City of Indianapolis. The City is the
7 successor trustee of a public charitable trust and acting through the Board
8 manages and controls the municipally owned gas utility that is the Petitioner in
9 this proceeding and does business as Citizens Gas & Coke Utility ("Petitioner,"
10 "Citizens Gas" or "Utility"). I am the Manager – Rates & Regulatory Affairs of
11 Citizens Gas.

12 **Q. HOW LONG HAVE YOU HELD THAT POSITION?**

13 A. Since March 2004.

14 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

15 A. I graduated from the University of Missouri – Columbia in December 1980 with a
16 Bachelor of Science Degree in Agricultural Engineering. In May 1981, I received
17 a Bachelor of Science Degree in Agricultural Mechanization. I have completed
18 much of the coursework required for a Master's Degree in Agricultural
19 Engineering at the University of Missouri - Columbia. I am qualified as an
20 Engineer-in-Training under the laws of the State of Missouri.

1 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND**
2 **EXPERIENCE.**

3 A. In February 1983, I joined the Staff of the Missouri Public Service Commission as
4 a Rate Engineer. My responsibilities included analyzing and making
5 recommendations relating to purchased gas adjustment filings, actual cost
6 adjustment filings, rate cases, certificate applications, intrastate pipeline
7 applications and applications to establish new local distribution systems. I
8 submitted recommendations, including testimony, relating to the technical
9 accuracy and economic feasibility of the various filings or applications. I
10 sponsored tariff books (rates and terms and conditions) for companies seeking to
11 become local distribution companies ("LDCs") and intrastate pipelines. I also
12 sponsored tariff language relating to purchased gas adjustment clauses and
13 transportation tariffs for many of Missouri's existing LDCs.

14 **Q. HAVE YOU PARTICIPATED IN DESIGNING RATES OR**
15 **PERFORMING COST OF SERVICE STUDIES FOR REGULATED**
16 **NATURAL GAS DISTRIBUTION COMPANIES?**

17 A. Yes. I was a Rate Engineer with the Missouri Public Service Commission, and my
18 responsibilities included the development of proposed rate design and
19 participation in the preparation of cost of service studies or feasibility studies that
20 were used to develop the Commission Staff's proposed rates. I also sponsored the

1 cost of service study and proposed rate design in Petitioner's last two rate cases,
2 Cause Nos. 41605 and 42767.

3 **Q. WHAT OTHER POSITIONS HAVE YOU HELD IN THE NATURAL GAS**
4 **INDUSTRY?**

5 A. I left the Missouri Public Service Commission in December 1994 to take a
6 position with the New York State Electric and Gas Corporation ("NYSEG"). My
7 responsibilities at NYSEG included establishing prices to be used in "repackaged"
8 contract offerings, training fellow employees and end-users about new rates and
9 service concepts, and complying with Commission filing requirements, including
10 the calculation and filing of the monthly gas cost adjustment filings with the New
11 York Public Service Commission. These monthly filings reflected pricing for all
12 seven of NYSEG's service territories and tracked the cost of the thirteen pipelines
13 supplying the respective service areas, as well as appropriate storage costs. The
14 filings also reflected pricing for the fixed price and variable price options, as well
15 as market-based pricing for defined large customer categories. In total, I was
16 involved with the filing of nearly 475 prices each month. I left NYSEG in April
17 1998 to become Rates Manager with Citizens Gas. I was promoted to Manager –
18 Rates & Regulatory Affairs in March 2004.

19 **Q. WHAT ARE YOUR RESPONSIBILITIES AND DUTIES AS THE**
20 **MANAGER - RATES & REGULATORY AFFAIRS FOR CITIZENS GAS?**

1 A. I am responsible for the development of the quarterly gas cost and fuel cost
2 adjustment filings for Petitioner and its sister steam utility, Citizens Thermal
3 Energy, miscellaneous tariff filings, special contracts, and numerous other rate
4 and regulatory-related activities. Coordinating the preparation and filing of recent
5 Steam Division and Gas Division general rate cases also has been a large part of
6 my responsibilities.

7 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY
8 AGENCIES?

9 A. Yes. I testified before the Missouri Public Service Commission relating to rates,
10 tariffs, and certificate applications. During my employment with Citizens Gas, I
11 have testified before the Indiana Utility Regulatory Commission in Cause Nos.
12 41605, 41824, 42578, 42726, 42767, 43025, 43201, 41969-FAC1-9, 41969-
13 FAC3-S1, 41969-FAC 06(S1), 37399-GCA68 and GCA69, 37399-GCA68(S1)
14 and 37399-GCA77.

15 **PURPOSE OF TESTIMONY**

16 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
17 PROCEEDING?

18 A. The purpose of my testimony is to sponsor Petitioner's cost of service study,
19 explain key data used to develop the cost of service study and describe the source
20 of that data. I also will identify the structural differences between the cost of

1 service study performed in this proceeding and the study prepared in connection
2 with Petitioner's last general case proceeding, Cause No. 42767. I will discuss
3 the proposed rate design and sponsor proposed changes to Petitioner's Rate
4 Schedules and Terms and Conditions of Service, including certain proposed
5 modifications to one of the Administrative charges applicable to participants in
6 the Citizens Energy Select ("CES") program. I also will discuss the cost of
7 service study results for the High Load class, which consists of seven customers
8 formerly served under the Large Volume rate, and the elimination of the Non-
9 Metered Gas Light Tariff. Finally, I sponsor Petitioner's Terms and Conditions of
10 Service reflecting minor changes and the revision necessary to address the way
11 allowances are calculated toward the extension of mains, as discussed in
12 Petitioner's witness Prentice's testimony.

13 **Q. PLEASE IDENTIFY THE EXHIBITS YOU ARE SPONSORING IN THIS**
14 **PROCEEDING.**

15 **A.** I am sponsoring the following exhibits, and will discuss each exhibit in detail in
16 the applicable section of my testimony:

17 CAJ-1 Cost of Service Study

18 CAJ-2 Return on Plant Calculations

19 CAJ-3 Allocation of Plant Summary

20 CAJ-4 Summary of Unit Costs by Customer Class

- 1 CAJ-5 Calculation of Subsidy / Excess Adjustment
- 2 CAJ-6 Summary of Allocation Factors
- 3 CAJ-7 Proposed Rate Design
- 4 CAJ-8 Revenue Proof
- 5 CAJ-9 Bill Comparisons
- 6 CAJ-10 Determination of Proposed Supply Administration Service Charge
- 7 CAJ-11 Proposed Rate Tariffs and Terms and Conditions (redline)
- 8 CAJ-12 Proposed Rate Tariffs and Terms and Conditions (clean)

9 **Q. DID YOU PREPARE OR DIRECT THE PREPARATION OF EACH OF**
10 **THE IDENTIFIED EXHIBITS?**

11 A. Yes.

12 **THE COST OF SERVICE STUDY**

13 **Q. WHAT PURPOSE DOES A COST OF SERVICE STUDY SERVE?**

14 A. A cost of service study is an analysis of costs used to assign to each customer
15 class its proportionate share of a utility's total cost of providing service. The total
16 cost of providing service generally is referred to as a utility's revenue
17 requirement. While positions of various parties might vary on exactly how the
18 components of a utility's revenue requirement should be allocated among the
19 customer classes (i.e., assumptions used in cost of service models can vary), the
20 ultimate purpose of a cost of service study is always the same--the assignment of

1 costs to those customer classes causing the cost. As discussed below, other factors
2 can and sometimes should be taken into account to design the rates for individual
3 customer classes that will provide the utility sufficient opportunity to recover its
4 revenue requirement.

5 **Q. PLEASE PROVIDE A SHORT DESCRIPTION OF THE PROCESS USED**
6 **TO PERFORM A COST OF SERVICE STUDY.**

7 A. In general, there are three broad steps required to perform a cost of service study,
8 each of which was used in the preparation of my cost of service study: (1)
9 functionalization; (2) classification; and (3) allocation. The first step is the
10 separation of all plant and expense items into functional categories. The
11 functional categories used in the cost of service study in this proceeding were
12 storage, transmission, distribution, and general. Where possible, I made a direct
13 assignment of costs to the functional categories. Once the plant and expenses
14 have been "functionalized," they are classified. Plant and expenses not directly
15 assigned, are classified into three primary categories: (1) customer costs, (2) fixed
16 or demand costs (Citizens Gas has divided fixed costs into peak demand and
17 seasonal demand), and (3) commodity costs. The final step is the allocation of the
18 functionalized and classified cost components to the individual rate classes. The
19 cost components typically are allocated on customer, peak demand, seasonal
20 demand, commodity, and revenue-related allocation factors.

1 **Q. WOULD YOU PROVIDE AN EXAMPLE OF HOW YOU APPLIED THE**
2 **ALLOCATION PROCESS?**

3 A. Customer costs were allocated by the relative number of customers (identified as
4 “service count”) in each individual rate class. The only way to perform a more
5 precise allocation would be to track the actual costs on a customer-by-customer
6 basis, which would be virtually impossible.

7 **Q. HAVE THE ALLOCATION METHODS USED IN THE COST OF**
8 **SERVICE STUDY PREVIOUSLY BEEN ACCEPTED BY THIS**
9 **COMMISSION?**

10 A. Yes. The allocation methodology is the same general methodology used for the
11 cost of service study performed in Cause No. 39066, and substantially the same as
12 the cost of service study performed in Cause No. 42767. However, the
13 Commission changed one key allocator related to the allocation of distribution
14 main costs in its October 19, 2006 Order.

15 **Q. WHAT WERE THE RESULTS OF THE COST OF SERVICE STUDY IN**
16 **CAUSE NO. 42767?**

17 A. In the Utility’s last general rate proceeding (Cause No. 42767, based on a test year
18 ending September 30, 2004), the cost of service study showed there were
19 significantly different rates of return by customer class. The Commission
20 approved the Utility’s cost of service study, with one significant exception -- the

1 allocation of distribution main costs. Petitioner used a peak day allocator for the
2 allocation of distribution mains in the cost of service study. The Commission
3 approved an allocation of the costs of distribution mains based upon 80%
4 throughput and 20% peak day.

5 Petitioner and Intervenor, Citizens Industrial Group ("CIG") each sought
6 rehearing of the Order in Cause No. 42767. In order to resolve the dispute
7 regarding cost of service issues and mitigate rate shock to the Large Volume
8 class, the settling parties agreed to apply the theory of "gradualism" to cost-based
9 rates in order to lessen the impact of the rate increase to the Large Volume class.
10 The settling parties agreed to reduce by 50% the increase set forth in the Large
11 Volume class' compliance rates Petitioner filed with the Commission on October
12 23, 2006. The settling parties also agreed that Citizens Gas would create a new
13 High Load rate class for customers with volumes of 200,000 Dth per year or
14 greater, and a load factor of 50% or greater. Petitioner filed the new High Load
15 tariff (Gas Rate No. D9) with the Commission on August 31, 2007, after the
16 Commission approved the settlement agreement by its August 30, 2007 Order on
17 Rehearing.

18 **Q. WHY DID YOU PERFORM A COST OF SERVICE STUDY IN THIS**
19 **PROCEEDING?**

1 A. The primary goal of this proceeding is to adjust rates to effect the recovery of a
2 level of normalized operating revenues sufficient to recover Petitioner's pro forma
3 test year revenue requirement. Petitioner's objective in performing the cost of
4 service study was to determine whether existing rates properly reflect the cost of
5 providing service to the respective rate classes and to have a basis from which to
6 design rates to recover the proposed normalized revenues from each class based
7 upon the costs of serving that class.

8 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COST OF SERVICE**
9 **STUDY RESULTS.**

10 A. Petitioner is requesting a 4.4% increase in its annual operating revenues, or total
11 operating revenues of approximately \$463.1 million, which is an increase of
12 approximately \$19.7 million, as shown on page 1 of Petitioner's Exhibit CAJ-1,
13 lines 36 and 38, Column H. The cost of service study also shows the current level
14 of subsidy/excess revenues between customer classes on line 38 of Petitioner's
15 Exhibit CAJ-1, page 1, after allocating revenues and costs among the various
16 classes of service. Line 39 of that Exhibit shows the percentage increases and
17 decreases by class based on application of the results of the cost of service
18 study—assuming the total elimination of subsidy/excess revenues between
19 customer classes.

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KEY DATA USED IN THE COST OF SERVICE STUDY

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**Q. WHAT WAS THE SOURCE OF THE DATA USED IN THE COST OF
SERVICE STUDY?**

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A. The revenue requirements utilized in the cost of service study summarized on
Petitioner's Exhibit CAJ-1, pages 1 and 2, were provided by Petitioner's witness
LaTona S. Prentice.

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Q. PLEASE DESCRIBE PETITIONER'S EXHIBIT CAJ-1, PAGE 1.

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A. As previously mentioned, Exhibit CAJ-1, page 1, summarizes the results of the
cost of service study. The components that make up Petitioner's pro forma
revenue requirement are shown in total and for each rate class. The amount of pro
forma revenues at current rates in total and by customer class is shown on line 3.
Each of the primary components contributing to the Utility's pro forma revenue
requirement is listed on lines 4 through 35, by customer class and in total. The
difference between Petitioner's total pro forma revenues at current rates of \$443.4
million on line 3, and Petitioner's total revenue requirement of \$463.1 million on
line 36 is \$19.7 million, which can be found on line 38.

Line 37 of Exhibit CAJ-1, page 1, shows the revenue to cost ratio for each
class. Line 38 indicates the amount of the increase in revenues by class, if
revenues were increased by \$19.7 million to recover the total revenue requirement

1 of \$463.1 million. Applying the proposed increases in revenues shown on line 38
2 would produce a revenue to cost ratio of 1.0 for all classes. Petitioner's Exhibit
3 CAJ-1, page 2, reflects the same information as Exhibit CAJ-1, page 1, with the
4 exception of lines 37 and 38. Line 37 removes the gas cost from the total revenue
5 requirement shown on line 36. Line 38 shows the difference, which is the total
6 "margin" requirement by rate class.

7 **RETURN ON PLANT**

8 **Q. HAVE YOU PERFORMED A RETURN ON PLANT CALCULATION**
9 **FOR EACH RATE CLASS?**

10 A. Yes. Exhibit CAJ-2, page 1, represents the return on plant calculation by delivery
11 service class based on a pro forma revenue requirement of \$463.1 million (line 2).
12 Exhibit CAJ-2, page 2, represents a return on plant calculation based on the pro
13 forma revenue from current rates and charges of \$443.4 million (line 1). The two
14 scenarios are presented for comparison purposes.

15 **Q. WHERE IS THE RATE OF RETURN BY CLASS FOR PETITIONER'S**
16 **SYSTEM SHOWN ON PETITIONER'S EXHIBIT CAJ-2?**

17 A. Exhibit CAJ-2, page 1, line 10, shows the calculated pro forma return on plant in
18 total (10.31%) and by class, assuming rates are approved to recover a revenue
19 requirement of \$463.1 million. Exhibit CAJ-2, page 2, line 9, shows the return on
20 plant in total (3.89%) and by class using our pro forma revenues at current rates.

1 For comparison purposes CAJ-2, page 3, line 10, shows the rate of return on plant
2 by class after the application of the rate subsidy adjustments discussed later in my
3 testimony.

4 **Q. WHAT IS THE PURPOSE OF CALCULATING A RETURN ON PLANT**
5 **FOR EACH RATE CLASS?**

6 A. Return on plant by class compared to the system rate of return is one method of
7 determining the level of revenue contribution each class should be assigned. The
8 return on plant calculation provides a comparison between the calculated levels of
9 operating income produced by each class as a percent of the allocated net plant
10 (gross plant less an allocated level of accumulated depreciation) invested to serve
11 that class. This calculation would allow the redistribution of operating revenues
12 and operating income to each class to equalize rates of return. The rate of return
13 method produces a different distribution of revenue responsibility than is
14 determined using the revenue to cost ratio method. Rates designed to recover
15 costs allocated on a revenue to cost ratio would bring the ratio to unity (1.0), i.e.,
16 revenues would be equal to costs. The information presented on Exhibit CAJ-1,
17 page 1, line 38, can be compared to the information presented on Exhibit CAJ-2,
18 page 1, line 12, to see the difference between how the two methods would recover
19 the total revenue requirement. The information regarding return on plant is for
20 comparison purposes only. Petitioner's proposed rates are designed to bring the

1 cost to revenue ratio closer to one. The proposed adjustments to the level of
2 subsidy/excess revenues between classes, which I will discuss later, will prevent
3 the revenue to cost ratio from equaling one.

4 **Q. WHAT ELSE DOES PETITIONER'S EXHIBIT CAJ-2 SHOW?**

5 A. Exhibit CAJ-2 page 1, line 12, reflects the dollar amount of the proposed increase
6 in operating revenues required to bring each class to the overall system return on
7 net plant, which was calculated to be 10.31%. Related percentage increases are
8 shown on line 13.

9 **Q. PLEASE DESCRIBE THE UTILITY'S GENERAL APPROACH TO**
10 **REDUCING THE LEVEL OF SUBSIDY/EXCESS REVENUES BETWEEN**
11 **CUSTOMER CLASSES AS SHOWN IN THE COST OF SERVICE**
12 **STUDY.**

13 A. Consistent with long-established Commission policy and the past practice of
14 Citizens Gas in prior rate cases, the Utility's objective in its revenue allocation
15 process was to reduce interclass subsidies to the extent practical while at the same
16 time taking into account the principle of gradualism. The Commission's Order on
17 Rehearing in Cause No. 42767, approved a 50% reduction to the amount of
18 revenue requirement increase allocated to the Large Volume class as the result of
19 the compliance rates filed on October 23, 2006. In the 1999 rate case, *i.e.*, Cause
20 No. 39066, Citizens Gas proposed a 35% reduction in the subsidies provided by

1 its general nonheat, interruptible and large volume classes. The Commission
2 subsequently approved a 50% reduction in the level of subsidy/excess revenues.
3 In this case, Citizens Gas has again determined that an adjustment to the level of
4 subsidy/excess revenues between customer classes is appropriate.

5 **Q. IN YOUR OPINION, WHAT ADJUSTMENTS ARE NECESSARY TO**
6 **ADDRESS THE LEVEL OF SUBSIDY/EXCESS REVENUES BETWEEN**
7 **CUSTOMER CLASSES TO PROMOTE THE PRINCIPLE OF**
8 **GRADUALISM AND AVOID RATE SHOCK TO CERTAIN CUSTOMER**
9 **CLASSES?**

10 A. Petitioner's Exhibits CAJ-1 and CAJ-2 show that the General Non-Heat class is
11 the only class that does not need to have its rates increased to recover an allocated
12 portion of the calculated revenue requirement. Since the cost of service study
13 supports increases to all of the other rate classes, it was decided that the rates
14 applicable to the General Non-Heat class would not be decreased by the full
15 amount supported by the cost of service study, and part of the decrease that
16 otherwise would have been applicable to the General Non-Heat class would be
17 used to partially offset the increases to other classes.

18 In my opinion, there are three other rate classes where adjustments to the
19 results of the cost of service study are appropriate. If rates were based on the
20 results of the cost of service study, the rates of the Residential Domestic customer

1 class would have to be increased approximately 20% in order for that class to
2 fully contribute to the actual cost to serve (an approximate 49% increase in
3 margin). The CNG rate class also would experience a 98% rate increase. Finally,
4 the High Load class requires a substantial increase in order for customers in that
5 class to contribute their allocated cost to serve. Based on the results of the cost of
6 service study, the High Load class needs an approximate 83% increase in rates,
7 which translates to an 85% increase in margin.

8 The High Load class currently is contributing revenues based on rates that
9 reflect a 50% subsidy from the rates the Commission originally approved in its
10 October 19, 2006 Order in Cause No. 42767. The settlement on rehearing in
11 Cause No. 42767 was approved by the Commission on August 29, 2007, and
12 compliance rates were filed effective September 1, 2007. In part, the settlement
13 included the subsidy in an attempt to "gradually" implement the rates needed to
14 recover the costs to serve that class.

15 In my opinion, the same rationale for applying the principle of gradualism
16 to the Large Volume class in Cause No. 42767 applies in this case to the
17 Residential Domestic, CNG and High Load classes. Therefore, Citizens Gas is
18 proposing a 50% subsidy/excess revenue reduction for the Residential Domestic,
19 CNG and High Load classes. The proposed 50% subsidy for the Residential
20 Domestic, CNG and High Load classes attempts to gradually move to the actual

1 cost to serve those classes. Petitioner's Exhibit CAJ-5, lines 13 and 14,
2 summarizes the subsidy/excess adjustments for each class.

3 Once gas costs are included in the comparison of rate increases by class,
4 the Residential Domestic, CNG, and High Load percent increases would be
5 reduced, respectively, by about 10, 49, and 41 percentage points.

6 In my opinion, it is appropriate to reduce the impact of the rate increases
7 to the Residential Domestic, CNG and High Load classes in this case following
8 the principle of gradualism. Then, in a future proceeding, Citizens Gas will
9 prepare an updated cost of service study and, based on the results of that study,
10 move each of its rate classes closer to the cost to serve at that time.

11 **Q. PLEASE EXPLAIN HOW THE PROPOSED SUBSIDIES OF THE**
12 **RESIDENTIAL DOMESTIC, CNG AND HIGH LOAD CLASSES WERE**
13 **APPLIED.**

14 **A.** Petitioner's Exhibit CAJ-5, line 13, reflects a 50% reduction to the amount of
15 increase to the Residential Domestic class, resulting in a total reduction in
16 revenues for that class of approximately \$178,000. The amount of the increase to
17 the CNG class also was reduced by 50%, resulting in a total reduction in CNG
18 revenues of approximately \$13,000. The increase to the High Load class was

1 reduced by 50%, for a total reduction in revenues of approximately \$885,000.
2 The decrease in current rates shown by the cost of service study for the General
3 Non-Heat class was reduced by approximately \$119,000, which partially offsets
4 the rest of the decreases. The net reduction in revenues, in the amount of
5 \$957,000, will be recovered by adding \$679,000 to the Residential Heating class,
6 \$229,000 to the General Heating class, and \$49,000 to the Large Volume class, as
7 shown on Exhibit CAJ-5, line 14. The impact of these cost shifts on the total bill
8 (i.e., including gas costs) for the Residential Heating, General Heating and Large
9 Volume customers will be very small with these minor amounts shifted to their
10 respective classes. Based on the class revenue requirements determined on
11 Exhibit CAJ-5, line 16, the impacts of the proposed rates on average customer
12 total bills are shown in Exhibit CAJ-9.

13 **Q. DID YOU SUMMARIZE YOUR ALLOCATION OF PLANT IN**
14 **SERVICE?**

15 **A.** Yes. It is attached as Petitioner's Exhibit CAJ-3 and shows total gross plant in
16 service and the allocation factors used to allocate plant to the various rate classes.

17 **Q. DID YOU PREPARE AN EXHIBIT SUMMARIZING THE UNIT COSTS**
18 **BY CLASS FOR USE IN DEVELOPING YOUR PROPOSED RATE**
19 **DESIGN?**

1 A. Yes. Attached as Petitioner's Exhibit CAJ-4 are the unit costs by class results of
2 the cost of service study performed for this proceeding.

3 **PRIOR COST OF SERVICE STUDY RESULTS**

4 **Q. WAS THE CURRENT COST OF SERVICE STUDY PERFORMED**
5 **BASED ON ASSUMPTIONS SIMILAR TO THOSE USED IN THE COST**
6 **OF SERVICE STUDY FILED IN CITIZENS GAS' LAST GENERAL**
7 **RATE CASE?**

8 A. Yes. The model used in this proceeding was built from the cost of service study
9 performed in Citizens Gas' last three rate proceedings, i.e., Cause No. 39066,
10 Cause No. 41605 and Cause No. 42767. I have made a few adjustments to the
11 cost of service studies filed in the previous cases. Those adjustments can be
12 summarized as follows:

- 13 • Included the new High Load class (Rate No. D9)
- 14 • Eliminated the Non-Metered Gas Light class
- 15 • Directly assigned certain costs to the High Load class where applicable
- 16 • Added a 13% Customer Component to the distribution main
17 allocations
- 18 • Included a shift of seasonally allocated costs for the High Load class to
19 recognize customers who have opted-out of banking service

1 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO REFLECT THE DIRECT**
2 **ASSIGNMENT OF CERTAIN COSTS TO THE HIGH LOAD CLASS.**

3 **A.** Costs were allocated to the High Load class in a manner similar to the other
4 classes, with the exception of a few costs that were directly assigned. The limited
5 number of customers in the High Load class (seven customers with 20 meters - as
6 a reminder, customer-related costs were assigned based on number of meters)
7 allowed us to identify and assign the actual cost of meters, services, dedicated
8 distribution and transmission costs (dedicated, meaning the identified facilities are
9 used to serve only these High Load customers.)

10 I also reduced the High Load class seasonal demand allocation in
11 proportion to the volume in the class related to banking opt-out. Seventy percent
12 of the High Load class annual throughput has opted-out of banking. As a result,
13 70% of the High Load class seasonal demand has been reallocated to the
14 remaining classes. The value of the remaining 30% of seasonal demand was
15 divided by the total throughput of the High Load customers who have not opted-
16 out to determine the value of opting-out of banking. That new number will be
17 \$0.063 per Dth, which is a decrease from the \$0.08 per Dth discount currently
18 reflected in the tariffs.

19 Included in the changes applying to the High Load class, besides the
20 calculation of the specifically-identified plant costs, was the calculation of the

1 class-specific peak day. Peak day for most classes was based on average monthly
2 consumption. However, Citizens Gas has actual daily data for members of the
3 High Load class. The peak day contribution was based on actual peak day
4 consumption for the class using actual Automated Meter Reading ("AMR") data,
5 which permitted us to have a very accurate determination of peak day usage for
6 the High Load class. Base load for the High Load class was still determined
7 based on average daily consumption in July and August of the test year.

8 For all classes, the average peak month (High Load uses the daily AMR
9 read on the system's peak day) heat load per day was divided by the test year peak
10 day Heating Degree Day amount (in the test year this was 62 Heating Degree
11 Days). This average heat load per Heating Degree Day then was multiplied by the
12 design day Heating Degree Days. Petitioner's design day is based on 17 degrees
13 below zero average temperature which is 82 Heating Degree Days. The work
14 papers supporting the cost of service study provide the details of the calculation
15 for each class.

16 **Q. ARE THERE ANY OTHER ADJUSTMENTS TO THE PRIOR COST OF**
17 **SERVICE STUDIES YOU WOULD LIKE TO EXPLAIN?**

18 **A.** Yes. The Non-Metered Gas Light Service class has been discontinued and was
19 eliminated from the cost of service study. However, removing this class from the
20 cost of service study resulted in very little reassigning of costs since there was

1 only one customer in this class during the test year. That customer no longer
2 receives service under the Non-Metered Gas Light tariff.

3 One additional change resulted from an allocator being modified in this
4 Cause, which will impact all classes. Historically, Petitioner has allocated its
5 distribution mains costs according to peak day. Other Indiana natural gas utilities
6 allocate the costs of distribution mains in two separate components. Through a
7 separate study, a calculation is made wherein a customer component of mains is
8 quantified. This is done by adjusting the original cost of the mains to a current
9 day cost. Regression analyses are conducted to determine the hypothetical cost of
10 a main that is zero inches in diameter. The results of the regression analyses are
11 considered the "zero-intercept." By multiplying the value of the zero-intercept
12 times the total feet of main, the customer component of main is determined. The
13 customer component of distribution main typically is between 15% and 40% of
14 the total main costs. Petitioner has calculated the quantity of distribution main that
15 should be allocated based on the number of distinct services or customers (the
16 customer component of main) to be 13.09%. The remainder of the mains
17 (86.91%) will be allocated in the traditional manner based on peak-day usage.
18 Petitioner's witness Russell A. Feingold will discuss the conceptual support and
19 rationale behind this method and discuss its common use in the industry.

1 Once again, neither of the above-mentioned adjustments impacts the
2 overall process used to develop the allocation factors derived from the cost of
3 service study. The process used in the cost of service study is largely the same as
4 the process employed and accepted in Cause No. 39066, and also used by Citizens
5 Gas in Cause Nos. 41605 and 42767. The use of a customer component of
6 distribution main and the direct allocation of customer specific costs in the High
7 Load class will impact the end results of the cost of service study, but not the
8 overall process.

9 **Q. WHY DID PETITIONER CHANGE THE WAY IT ALLOCATES**
10 **DISTRIBUTION MAINS?**

11 **A.** On pages 74 and 75 of its October 19, 2006 Order in Cause No. 42767, the
12 Commission indicated that distribution main costs should not be entirely allocated
13 on a peak day basis. The Commission stated, “. . . we are not persuaded that all of
14 these costs should be allocated solely based on customers’ consumption on a
15 single day in a 10 or 15 year period.” The Commission found that 80% of
16 Petitioner’s distribution main should be allocated on a volumetric basis. Although
17 Petitioner does not believe allocating 80% of the costs of its distribution main on
18 a volumetric basis results in the most equitable allocation of costs, it has adhered
19 to the Commission’s conclusion that all distribution mains should not be allocated
20 on a peak day basis.

1 Instead of allocating mains on the basis of 80% volumetric and 20% peak,
2 Petitioner has followed the distribution main allocation method used by other
3 Indiana gas utilities and quantified a customer component of distribution mains.
4 Petitioner's witness Russell A. Feingold explains why it is appropriate to use this
5 cost allocation method.

6 **Q. DID YOU PERFORM A SEPARATE BALANCING STUDY TO**
7 **ALLOCATE CERTAIN SYSTEM RESOURCES AS WAS DONE IN**
8 **CAUSE NO. 42767?**

9 A. Yes. The balancing study in this case was based on a balancing study prepared by
10 Navigant Consulting, Inc. ("NCI"), the consulting firm used to assist Citizens Gas
11 in developing the Citizens Energy Select program in Cause No. 41605. The core
12 purpose of the balancing study remains unchanged. It still revises the manner in
13 which Petitioner used its storage resources and based on daily activity quantifies
14 the amount each resource is used for balancing and banking purposes. No
15 modifications were made to the balancing study used in Cause No. 41605 and
16 Cause No. 42767, except to update the study based on test year data provided by
17 the Gas Supply Department. The balancing study was accepted by the
18 Commission in Cause No. 42767 as part of the cost of service study approved in
19 that case.

1 **Q. HOW WAS THE BALANCING STUDY USED IN THE COST OF**
2 **SERVICE STUDY AND IN THE PETITIONER'S QUARTERLY GCA?**

3 A. The balancing study determined what portions of Petitioner's system resources
4 (on-system underground storage, LNG, and off-system storage) are used for
5 general planned system supply activities and what portions are used for unplanned
6 system balancing-type purposes. The portion of system resources used in a
7 planned manner was allocated on a peak or seasonal demand basis to the various
8 customer classes. The remaining costs were assumed to be used as an unplanned
9 balancing resource. The unplanned balancing portion then was allocated on a
10 throughput basis to all classes in both the cost of service study and in the quarterly
11 GCA.

12 **Q. YOU STATED THE BASIC PROCESS USED TO CALCULATE THE**
13 **COST OF SERVICE BY CLASS OF SERVICE IS UNCHANGED FROM**
14 **CAUSE NOS. 41605 AND 42767. IF THE PROCESS HAS NOT**
15 **CHANGED, WHY ARE THE ALLOCATION FACTORS DIFFERENT?**

16 A. The cost of service study performed for this proceeding used pro forma and test
17 year data. Any change in customer numbers, individual class usage totals, peak
18 day information, cost data, etc., since Petitioner's last rate case affects the
19 individual allocation factors used for each class. Additionally, the adjustments

1 mentioned earlier will have an impact on the outcome, even though the process is
2 unchanged.

3 **Q. DID YOU SUMMARIZE ALL OF THE ALLOCATION FACTORS**
4 **RESULTING FROM THE COST OF SERVICE STUDY YOU HAVE**
5 **PERFORMED FOR THIS PROCEEDING?**

6 A. Yes. I prepared a summary of all of the allocation factors, which is attached as
7 Petitioner's Exhibit CAJ-6.

8 **RATE DESIGN**

9 **Q. PLEASE LIST THE RATE SCHEDULES UNDER WHICH CITIZENS**
10 **GAS PROVIDES SERVICES.**

11 A. Citizens Gas has the following seven customer classes:

- 12 • Residential Domestic, Gas Rate No. D1
- 13 • Residential Heating, Gas Rate No. D2
- 14 • General Non-Heating, Gas Rate No. D3
- 15 • General Heating, Gas Rate No. D4
- 16 • Large Volume, Gas Rate No. D5
- 17 • Compressed Natural Gas, Gas Rate No. D7
- 18 • High Load, Gas Rate No. D9

1 Standard Gas Delivery Service is available to all customer classes. In addition to
2 the Standard Gas Delivery Service, the General Heating, General Non-Heating,
3 Large Volume and High Load customer classes have a Basic Delivery Service
4 Option available to customers with historical consumption in excess of 50,000
5 therms per year. Petitioner's Exhibit CAJ-11 includes the rate schedules that are
6 proposed for each rate class in "redline" form. CAJ-12 includes the proposed rate
7 schedules in final "clean" form.

8 **Q. PLEASE SUMMARIZE ANY RATE DESIGN CHANGES.**

9 A. Citizens Gas is proposing one change relating to rate design--the elimination of
10 the Non-Metered Gas Light Delivery Service rate class. Citizens Gas' proposed
11 rate design is shown in Exhibit CAJ-7.

12 **Q. PLEASE EXPLAIN WHY YOU HAVE PROPOSED TO ELIMINATE THE**
13 **NON-METERED GASLIGHT SERVICE.**

14 A. Until recently, there was only one customer in this class. That customer has now
15 changed to a metered gas light. This rate class requires manual billing and
16 Petitioner does not intend to offer the service to any new customers.

17 **Q. ARE THERE ANY GENERAL CHANGES YOU HAVE PROPOSED TO**
18 **PETITIONER'S TARIFFS?**

19 A. Yes. There are a few changes that have been incorporated into the tariffs as
20 "redlined" changes. They are designed, in some cases, to help a transporting End-

1 Use Customer or 3rd Party Supplier. In other cases, they are designed to clarify
2 how the Utility either applies or intends to apply its tariff language. All changes
3 can be identified in the "redlined" tariffs in Exhibit CAJ-11. The following
4 proposed changes may be of interest:

5 1. Language has been added to specify that transportation customers will be
6 contributing to both Company Use and Unaccounted For Gas. The current
7 tariff provides for an in-kind delivery of gas to cover Company Use gas, but
8 the Utility now proposes to add an amount designed to recover an allocated
9 portion of Unaccounted For Gas, as well. This amount will be included on the
10 new S4 tariff, which has been included in Petitioner's Exhibits CAJ-11 and
11 CAJ-12.

12 2. Language has been added to the Terms and Conditions of Service setting forth
13 the new proposed main extension methodology, as described in the testimony
14 of Petitioner's witness LaTona S. Prentice.

15 **Q. DO THE PROPOSED RATES REFLECT AN INCREASE IN CITIZENS**
16 **GAS' OVERALL REVENUE REQUIREMENT?**

17 A. Yes. Citizens Gas has reviewed its test year data, adjusted it to reflect normal
18 weather and incorporated any fixed, known and measurable adjustments to the
19 cost or revenue components. Petitioner's witness LaTona S. Prentice's testimony

1 describes these adjustments and the related pro forma revenue requirement.

2 Petitioner's Exhibit CAJ-7, reflects the proposed rates.

3 **Q. ARE THE PROPOSED RATES CONSISTENT WITH THE RATE**
4 **DESIGN APPROVED BY THIS COMMISSION IN OTHER**
5 **PROCEEDINGS?**

6 A. Yes. The proposed rate design is consistent with rates currently in effect for
7 Citizens Gas.

8 **Q. IS CITIZENS GAS PROPOSING TO CHANGE THE DEMAND CHARGE**
9 **PORTION OF LARGE VOLUME GAS RATE NOS. D5 AND D9?**

10 A. No changes are proposed relating to how the level of billing demand is calculated
11 or how it is applied. Only the actual charges that are applied to that billing
12 demand of D5 and D9 customers will be increased to more accurately reflect the
13 results of the cost of service study.

14 **Q. WHY DOES CITIZENS GAS INCLUDE A DEMAND CHARGE FOR GAS**
15 **RATE NOS. D5 AND D9?**

16 A. Demand-related costs are those costs incurred to meet a customer's peak-load
17 requirements. Given that the customers served under Gas Rate Nos. D5 and D9
18 generally are the largest customers on the Citizens Gas system, it is imperative
19 that they receive the proper price signals so they clearly recognize the nature and
20 manner in which Citizens Gas incurs the costs necessary to provide them with

1 service. Under a demand-commodity rate structure, customers with higher load
2 factors will experience lower average unit costs, while those with lower load
3 factors will see higher average unit costs.

4 **Q. DO THE CUSTOMERS' DEMAND BILLING UNITS REMAIN**
5 **CONSTANT OVER TIME?**

6 A. No. The demand billing units are recalculated following each winter period and
7 become effective with the billing for April's consumption.

8 **MONTHLY FACILITY CHARGES**

9 **Q. DO YOU PROPOSE A CHANGE TO THE MONTHLY FACILITY**
10 **CHARGES FOR SOME OF CITIZENS GAS' RATE SCHEDULES?**

11 A. Yes. After reviewing the level of customer costs calculated in the cost of service
12 study for each of Citizens Gas' rate schedules, I believe an increase to the existing
13 level of the facility charges is justified. For the residential rate classes, customer
14 costs exceeded the current facility charges. Therefore, it was feasible to increase
15 the monthly facility charges of these classes toward the indicated customer cost
16 level without undue bill impacts. The monthly facility charges have been slightly
17 increased in the residential classes. The facility charge for the Residential
18 Domestic class has been increased from \$6.65 per month to \$7.00 and the facility
19 charge for the Residential Heating class has been increased from \$10.00 per
20 month to \$11.00. For the commercial and industrial rate schedules, it was

1 appropriate not to change the monthly facility charges applicable to each type of
2 meter since their increases were closer to the cost of service based numbers.

3 **BILL IMPACT**

4 **Q. HAVE YOU ANALYZED THE IMPACT OF THE PROPOSED RATES ON**
5 **CUSTOMER'S BILLS?**

6 A. Yes. The bill impact results are shown in Petitioner's Exhibit CAJ-9. For
7 transportation services, the cost of gas supplied by 3rd Party Suppliers is not
8 known, so information from Citizens Gas' GCAs has been used to generate a gas
9 cost to use in Transporters' bills for illustrative purposes.

10 **Q. HOW WERE THESE BILL IMPACT COMPARISONS DEVELOPED?**

11 A. The normalized monthly consumption amounts utilized in the calculation of the
12 pro forma revenue requirement were priced at current and proposed rates. The
13 revenues shown in Petitioner's Exhibit CAJ-9 include the revenues from the unit
14 balancing charge developed to recover an appropriate level of the costs of leased
15 storage related to balancing. All customers, whether commodity is supplied by
16 Citizens Gas or a 3rd Party Supplier, will pay this charge as part of delivery
17 service. This existing charge will change only as a result of using updated costs
18 and updated usage patterns for Banking and Balancing resources.

19 Petitioner's Exhibit CAJ-9 includes the effect of gas costs in the
20 calculation of current and proposed revenues. Citizens Gas also has proposed

1 new gas cost allocation factors which may cause a shift in gas cost responsibility
2 among the rate classes under the proposed GCA methodology. These changes will
3 be reflected in any future GCA filing.

4 **SUPPLY ADMINISTRATION SERVICE**

5 **Q. ARE YOU PROPOSING CHANGES TO ANY OF THE**
6 **ADMINISTRATIVE CHARGES?**

7 A. Yes. I am proposing to increase the AMR charge reflected in Gas Rate No. A7.
8 Using the actual cost data from the test year, I determined the AMR charge should
9 be increased from \$34 per unit per month to \$64 per unit per month. CAJ-10 also
10 shows the derivation of the AMR charges. While there are no changes being
11 proposed to the other Administrative Charges, I have included them in
12 Petitioner's Exhibits CAJ-11 and CAJ-12 in order to reflect a full set of Citizens
13 Gas' rates and charges.

14 **Q. ARE THERE ANY OTHER TOPICS YOU WISH TO DISCUSS IN YOUR**
15 **TESTIMONY?**

16 A. Yes. I have made a number of changes to existing Citizens Gas tariffs. Many of
17 the changes incorporate proposed revisions to the rates and charges in order to
18 collect the pro forma revenue requirement for the test year. Other changes reflect
19 revised Administrative Charges and the elimination of the Non-Metered Gas
20 Light rate class.

1 Additional non-substantive and operational consistency-type changes are
2 also proposed. Please see the "redlined" version of the Tariffs and Terms and
3 Conditions of Service included in Exhibit CAJ-11 and "clean" version of the
4 Tariffs in CAJ-12.

5 **Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

6 **A. Yes.**

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VERIFICATION

STATE OF INDIANA)
)
COUNTY OF MARION)

ss:

The undersigned, Craig A. Jones, under penalties of perjury and being first duly sworn on his oath, says that he is the Manager – Rates & Regulatory Affairs of Citizens Gas & Coke Utility; that he caused to be prepared and read the foregoing Direct Testimony; and that the representations set forth therein are true and correct to the best of his knowledge, information and belief.

Craig A. Jones

By: Craig A. Jones
Manager – Rates & Regulatory Affairs
Citizens Gas & Coke Utility

Subscribed and sworn to before me, a Notary Public, this 27th day of March, 2008.



Ann Dunavent
Signature

ANN DUNAVENT
Printed Name

My Commission Expires: 08/11/08

My County of Residence: Hancock

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[The following text is extremely faint and largely illegible. It appears to be a series of paragraphs or a list of items, possibly related to a historical document or a manuscript. The text is too light to transcribe accurately.]

CITIZENS GAS & COKE UTILITY
Cost of Service Study
Including Gas Costs; FY07 Costs and Allocators
(In thousands)

Line No	Description	A Res Nonheat	B Res Heat	C Gen Nonheat	D Gen Heat	E Large Volume	F CNG	G High Load	H Total
1	Proforma rev.-Curr. rates w/07 data	\$ 1,723	\$ 275,016	\$ 7,426	\$ 129,437	\$ 21,367	\$ 26	\$ 2,126	\$ 437,120
2	ProForma Other Revenues	\$ 35	\$ 4,662	\$ 87	\$ 1,275	\$ 201	\$ 0	\$ 13	\$ 6,273
3	Total ProForma Revenues	\$ 1,758	\$ 279,678	\$ 7,512	\$ 130,712	\$ 21,568	\$ 26	\$ 2,139	\$ 443,393
Gas Costs:									
4	Natural gas	\$ 1,003	\$ 190,199	\$ 5,936	\$ 99,174	\$ 16,956	\$ 20	\$ 1	\$ 313,289
5	Loss & Unaccounted for	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Contracted storage	\$ 33	\$ 8,262	\$ 155	\$ 4,178	\$ 642	\$ 0	\$ 49	\$ 13,320
7	Total gas costs	\$ 1,036	\$ 198,461	\$ 6,091	\$ 103,352	\$ 17,598	\$ 21	\$ 50	\$ 326,609
Operation & Maintenance:									
8	Transmission	\$ 11	\$ 2,528	\$ 49	\$ 1,429	\$ 388	\$ 0	\$ 233	\$ 4,638
9	Distribution	135	13,064	161	4,487	1,028	1	528	19,405
10	Utilization	82	3,281	86	1,521	145	11	29	5,155
11	LNG	8	1,779	44	1,027	313	0	232	3,404
12	UGS	11	2,360	63	1,356	376	0	295	4,462
13	Gas Mix	-	-	-	-	-	-	-	-
14	Gas Mix - CES	-	-	-	-	-	-	-	-
15	Plant Related O & M	6	1,146	44	687	241	0	235	2,359
16	Cust Accounting	71	4,988	36	483	3	0	0	5,582
17	Cust Service	54	3,470	18	320	2	0	0	3,865
18	Pension	4	292	3	72	12	0	6	389
19	Empl. benefits	23	1,630	19	400	67	1	36	2,176
20	Payroll adjustment	85	5,995	68	1,470	248	2	133	8,002
21	General & administrative	144	12,178	174	4,158	899	5	522	18,080
22	Total O & M	\$ 635	\$ 52,711	\$ 766	\$ 17,411	\$ 3,723	\$ 21	\$ 2,251	\$ 77,517
23	Depreciation	\$ 155	\$ 13,394	\$ 180	\$ 4,309	\$ 943	\$ 3	\$ 543	\$ 19,528
Taxes:									
24	FICA & Emp. Sec.	\$ 4	\$ 290	\$ 3	\$ 71	\$ 12	\$ 0	\$ 6	\$ 387
25	Property	42	3,778	54	1,277	288	1	174	5,613
26	Ind Util Rec Tax	7	1,151	31	542	89	0	9	1,830
27	Total taxes	\$ 53	\$ 5,219	\$ 88	\$ 1,890	\$ 389	\$ 1	\$ 189	\$ 7,830
Other funds requirements:									
28	Interest & principal	\$ 216	\$ 18,613	\$ 251	\$ 5,988	\$ 1,310	\$ 4	\$ 755	\$ 27,137
29	Working capital	-	-	-	-	-	-	-	-
30	Return on plant	-	-	-	-	-	-	-	-
31	Extensions & replacements	173	15,841	221	5,809	1,281	5	665	23,995
32	Total other funds req	\$ 389	\$ 34,455	\$ 472	\$ 11,796	\$ 2,591	\$ 9	\$ 1,420	\$ 51,132
Cash requirement offset:									
33	Depreciation	\$ (155)	\$ (13,394)	\$ (180)	\$ (4,309)	\$ (943)	\$ (3)	\$ (543)	\$ (19,528)
34	Oil & manuf Income	-	-	-	-	-	-	-	-
35	Cash req offset	\$ (155)	\$ (13,394)	\$ (180)	\$ (4,309)	\$ (943)	\$ (3)	\$ (543)	\$ (19,528)
36	Total revenue requirement	\$ 2,113	\$ 290,846	\$ 7,417	\$ 134,449	\$ 24,301	\$ 52	\$ 3,910	\$ 463,088
37	Revenue to cost ratio (ln.3/ln.36)	0.83	0.96	1.01	0.97	0.89	0.51	0.55	0.96
38	Increase requirement by class	\$ 355	\$ 11,168	\$ (95)	\$ 3,737	\$ 2,734	\$ 26	\$ 1,771	\$ 19,695
39		20.22%	3.99%	-1.27%	2.86%	12.67%	97.96%	82.78%	4.44%

CITIZENS GAS & COKE UTILITY
 Cost of Service Study
 Excluding Gas Costs; FY07 Costs and Allocators
 (in thousands)

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3	Total Proforma Revenues	\$ 1,758	\$ 279,678	\$ 7,512	\$ 130,712	\$ 21,568	\$ 26	\$ 2,139	\$ 443,393
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5	Natural gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Loss & Unaccounted for	\$ 33	\$ 8,262	\$ 155	\$ 4,178	\$ 642	\$ 0	\$ 49	\$ 13,320
7	Contracted storage	\$ 1,036	\$ 198,461	\$ 6,091	\$ 103,352	\$ 17,598	\$ 21	\$ 50	\$ 326,609
8	Total gas costs	\$ 1,036	\$ 198,461	\$ 6,091	\$ 103,352	\$ 17,598	\$ 21	\$ 50	\$ 326,609
9	Operation & Maintenance:	\$ 11	\$ 2,528	\$ 49	\$ 1,429	\$ 388	\$ 0	\$ 233	\$ 4,638
10	Transmission	\$ 135	\$ 13,064	\$ 161	\$ 4,487	\$ 1,028	\$ 1	\$ 528	\$ 19,405
11	Distribution	\$ 82	\$ 3,281	\$ 86	\$ 1,521	\$ 145	\$ 11	\$ 29	\$ 5,165
12	Utilization	\$ 8	\$ 1,779	\$ 44	\$ 1,027	\$ 313	\$ 0	\$ 232	\$ 3,404
13	LNG	\$ 11	\$ 2,360	\$ 63	\$ 1,356	\$ 376	\$ 0	\$ 295	\$ 4,462
14	UGS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Gas Mix	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Gas Mix - CES	\$ 6	\$ 1,146	\$ 44	\$ 687	\$ 241	\$ 0	\$ 235	\$ 2,359
17	Plant Related O & M	\$ 71	\$ 4,988	\$ 36	\$ 483	\$ 3	\$ 0	\$ 0	\$ 5,562
18	Cust Accounting	\$ 54	\$ 3,470	\$ 18	\$ 320	\$ 2	\$ 0	\$ 0	\$ 3,865
19	Cust Service	\$ 4	\$ 282	\$ 3	\$ 72	\$ 12	\$ 0	\$ 6	\$ 389
20	Pension	\$ 23	\$ 1,630	\$ 19	\$ 400	\$ 67	\$ 1	\$ 36	\$ 2,176
21	Empl. benefits	\$ 85	\$ 5,995	\$ 68	\$ 1,470	\$ 248	\$ 2	\$ 133	\$ 8,002
22	Payroll adjustment	\$ 144	\$ 12,178	\$ 174	\$ 4,158	\$ 899	\$ 5	\$ 522	\$ 18,080
23	General & administrative	\$ 635	\$ 52,711	\$ 766	\$ 17,411	\$ 3,723	\$ 21	\$ 2,251	\$ 77,517
24	Total O & M	\$ 155	\$ 13,394	\$ 180	\$ 4,309	\$ 943	\$ 3	\$ 543	\$ 19,528
25	Depreciation	\$ 4	\$ 290	\$ 3	\$ 71	\$ 12	\$ 0	\$ 6	\$ 387
26	Taxes:	\$ 42	\$ 3,778	\$ 54	\$ 1,277	\$ 288	\$ 1	\$ 174	\$ 5,613
27	FICA & Emp. Sec.	\$ 7	\$ 1,151	\$ 31	\$ 542	\$ 89	\$ 0	\$ 9	\$ 1,830
28	Property	\$ 53	\$ 5,219	\$ 88	\$ 1,890	\$ 389	\$ 1	\$ 189	\$ 7,830
29	Ind Util Rec Tax	\$ 216	\$ 18,613	\$ 251	\$ 5,988	\$ 1,310	\$ 4	\$ 755	\$ 27,137
30	Total taxes	\$ 173	\$ 15,841	\$ 221	\$ 5,809	\$ 1,281	\$ 5	\$ 665	\$ 23,995
31	Other funds requirements:	\$ 389	\$ 34,455	\$ 472	\$ 11,796	\$ 2,591	\$ 9	\$ 1,420	\$ 51,132
32	Interest & principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Working capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	Return on plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35	Extensions & replacements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36	Total other funds req	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	Cash requirement offset:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38	Depreciation	\$ (155)	\$ (13,394)	\$ (180)	\$ (4,309)	\$ (943)	\$ (3)	\$ (543)	\$ (19,528)
39	Oil & manuf income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40	Cash req offset	\$ (155)	\$ (13,394)	\$ (180)	\$ (4,309)	\$ (943)	\$ (3)	\$ (543)	\$ (19,528)
41	Total revenue requirement	\$ 2,113	\$ 290,846	\$ 7,417	\$ 134,449	\$ 24,301	\$ 52	\$ 3,910	\$ 483,088
42	Less Gas Costs (ln.7)	\$ 1,036	\$ 198,461	\$ 6,091	\$ 103,352	\$ 17,598	\$ 21	\$ 50	\$ 326,609
43	Non-Gas Rev Req't (ln.36-37)	\$ 1,077.0	\$ 92,384.5	\$ 1,326.1	\$ 31,097.1	\$ 6,702.9	\$ 31.2	\$ 3,860.0	\$ 136,478.8

Calculation of Return on Plant
Based on Revenue Requirement
(In thousands)

	A	B	C	D	E	F	G	H
	Res Nonheat	Res Heat	Gen Nonheat	Gen Heat	Large Volume	CNG	High Load	Total
1. Total Proforma Rev at Present Rates a/	\$ 1,758	\$ 279,678	\$ 7,512	\$ 130,712	\$ 21,568	\$ 26	\$ 2,139	\$ 443,393
2. Revenue Requirement a/ <u>Expenses a/:</u>	\$ 2,113	\$ 290,846	\$ 7,417	\$ 134,449	\$ 24,301	\$ 52	\$ 3,910	\$ 463,088
3. Gas Costs	\$ 1,036	\$ 198,461	\$ 6,091	\$ 103,352	\$ 17,598	\$ 21	\$ 50	\$ 326,609
4. O & M	635	52,711	766	17,411	3,723	21	2,251	77,517
5. Depreciation	155	13,394	180	4,309	943	3	543	19,528
6. Taxes	53	5,219	88	1,890	389	1	189	7,830
7. Total Expenses (Ins 3+4+5+6)	\$ 1,880	\$ 269,786	\$ 7,126	\$ 126,961	\$ 22,653	\$ 46	\$ 3,033	\$ 431,484
8. Total Operating Income (In 2 - In 7)	\$ 233	\$ 21,060	\$ 291	\$ 7,487	\$ 1,648	\$ 6	\$ 877	\$ 31,603
9. Net Plant Investment less Accum. Deprec.b/	\$ 2,384	\$ 209,529	\$ 2,808	\$ 67,930	\$ 15,047	\$ 42	\$ 8,653	\$ 306,391
10. Return on Plant (In 8 / In 9)	9.79%	10.05%	10.38%	11.02%	10.95%	15.06%	10.13%	10.31%
11. Operating Income Required to Result in 10.31% Return on Plant by Class c/	\$ 246	\$ 21,602	\$ 289	\$ 7,004	\$ 1,551	\$ 4	\$ 892	\$ 31,589
12. Incr/(Decr) from Current Rates by Class (In 11 - [In 1 - In 7])	\$ 368	\$ 11,710	\$ (98)	\$ 3,253	\$ 2,636	\$ 23	\$ 1,786	\$ 19,681
13. % Incr/(Decr) (In 12 / In 1)	20.9%	4.2%	-1.3%	2.5%	12.2%	89.3%	83.5%	4.4%

a/ - Source: Allocation of Revenue Requirement(Including Gas Costs).

b/ - Source: Allocation of net Gas Plant

c/ - Line 9 * 10.31%

Calculation of Return on Plant
Based on Proforma Revenues at Present Rates
(In thousands)

	A	B	C	D	E	F	G	H
	Res Nonheat	Res Heat	Gen Nonheat	Gen Heat	Large Volume	CNG	High Load	Total
1. Total Proforma Rev at Present Rates a/ <u>Expenses a/:</u>	\$ 1,758	\$ 279,678	\$ 7,512	\$ 130,712	\$ 21,568	\$ 26	\$ 2,139	\$ 443,393
2. Gas Costs	\$ 1,036	\$ 198,461	\$ 6,091	\$ 103,352	\$ 17,598	\$ 21	\$ 50	\$ 326,609
3. O & M	635	52,711	766	17,411	3,723	21	2,251	77,517
4. Depreciation	155	13,394	180	4,309	943	3	543	19,528
5. Taxes	53	5,219	88	1,890	389	1	189	7,830
6. Total Expenses (Ins 3+4+5+6)	\$ 1,880	\$ 269,786	\$ 7,126	\$ 126,961	\$ 22,653	\$ 46	\$ 3,033	\$ 431,484
7. Total Operating Income (In.1 - In.6)	\$ (122)	\$ 9,892	\$ 387	\$ 3,751	\$ (1,085)	\$ (19)	\$ (894)	\$ 11,908
8. Net Plant Investment less Accum. Deprec. b/	\$ 2,384	\$ 209,529	\$ 2,808	\$ 67,930	\$ 15,047	\$ 42	\$ 8,653	\$ 306,391
9. Return on Plant at Present Rates (In 7 / In 8)	-5.12%	4.72%	13.77%	5.52%	-7.21%	-46.67%	-10.34%	3.89%
10. Operating Income Required to Result in 3.89% Return on Plant by Class c/	\$ 93	\$ 8,151	\$ 109	\$ 2,642	\$ 585	\$ 2	\$ 337	\$ 11,919
11. Incr/(Decr) from Current Rates by Class (In 10 - (In 1 - In 6))	\$ 215	\$ (1,741)	\$ (278)	\$ (1,109)	\$ 1,670	\$ 21	\$ 1,231	\$ 11
12. % Incr/(Decr) (In 11 / In 1)	12.2%	-0.6%	-3.7%	-0.8%	7.7%	81.7%	57.6%	0.0%

a/ - Source: Allocation of Revenue Requirement(Including Gas Costs).

b/ - Source: Allocation of net Gas Plant

c/ - Line 9 * 3.89%

Calculation of Return on Plant
Based on Revenue Requirement w/ 50% Subsidy Excess Adjustment
(in thousands)

	A	B	C	D	E	F	G	H
	Res Nonheat	Res Heat	Gen Nonheat	Gen Heat	Large Volume	CNG	High Load	Total
1. Total Proforma Rev a/	\$ 1,758	\$ 279,678	\$ 7,512	\$ 130,712	\$ 21,568	\$ 26	\$ 2,139	\$ 443,393
2. Revenue Requirement w/ subsidy/excess adj a/ <u>Expenses a/:</u>	\$ 1,935	\$ 291,525	\$ 7,536	\$ 134,678	\$ 24,351	\$ 39	\$ 3,024	\$ 463,088
3. Gas Costs	\$ 1,036	\$ 198,461	\$ 6,091	\$ 103,352	\$ 17,598	\$ 21	\$ 50	\$ 326,609
4. O & M	635	52,711	766	17,411	3,723	21	2,251	77,517
5. Depreciation	155	13,394	180	4,309	943	3	543	19,528
6. Taxes	53	5,219	88	1,890	389	1	189	7,830
7. Total Expenses (Ins 3+4+5+6)	\$ 1,880	\$ 269,786	\$ 7,126	\$ 126,961	\$ 22,653	\$ 46	\$ 3,033	\$ 431,484
8. Total Operating Income (In 2 - In 7)	\$ 56	\$ 21,739	\$ 411	\$ 7,717	\$ 1,698	\$ (7)	\$ (10)	\$ 31,604
9. Net Plant Investment less Accum. Deprec.b/	\$ 2,384	\$ 209,529	\$ 2,808	\$ 67,930	\$ 15,047	\$ 42	\$ 8,653	\$ 306,391
10. Return on Plant (In 8 / In 9)	2.34%	10.38%	14.62%	11.36%	11.28%	-15.80%	-0.11%	10.31%

a/ - Source: COSS - Allocation of Revenue Requirement(Including Gas Costs) line 41.

b/ - Source: Allocation of net Gas Plant

Citizens Gas & Coke Utility
Plant Allocation Summary
In thousands

Line No		Total	Allocator from ALLOCATORS	Res Nonheat	Res Heat	Gen Nonheat	Gen Heat	Large Volume	CNG	High Load
1	L.P.	\$ 2,566.5	Retail sales	8.07	1,554.5	48.4	817.0	138.3	0.2	0.0
	Underground Storage									
2	Supply	\$ 10,081.8	Seasonal demand	\$ 22.0	\$ 6,017.8	\$ 84.0	\$ 3,259.3	\$ 565.7	\$ -	\$ 133.0
3	Balancing	\$ 13,551.2	Balancing Volumes	\$ 33.7	\$ 6,484.5	\$ 251.4	\$ 3,924.7	\$ 1,424.7	\$ 0.7	\$ 1,431.6
	Transmission									
4	UGS (System Supply)	\$ 4,121.6	Seasonal demand	\$ 9.0	\$ 2,460.2	\$ 34.4	\$ 1,332.4	\$ 231.3	\$ -	\$ 54.4
5	UGS (Balancing)	\$ 5,539.9	Balancing Volumes	\$ 13.8	\$ 2,650.9	\$ 102.8	\$ 1,604.5	\$ 582.4	\$ 0.3	\$ 585.3
6	Marion County	\$ 23,355.0	Peak day	\$ 55.5	\$ 12,885.0	\$ 212.6	\$ 7,235.8	\$ 1,946.8	\$ 0.3	\$ 1,019.0
7	LNG (System Supply)	\$ 31,184.1	Peak day	\$ 74.1	\$ 17,204.3	\$ 283.9	\$ 9,661.4	\$ 2,599.4	\$ 0.4	\$ 1,380.6
8	LNG (Balancing)	\$ 20,428.1	Balancing Volumes	\$ 50.7	\$ 9,775.2	\$ 379.0	\$ 5,916.4	\$ 2,147.7	\$ 1.0	\$ 2,158.1
	Distribution									
	Land									
9	Distribution (Cust)	\$ 88.3	Mains & serv.-Cust	\$ 1.3	\$ 78.1	\$ 0.6	\$ 8.1	\$ 0.3	\$ -	\$ 0.1
10	Distribution (Dmd-p)	\$ 62.1	Mains & serv.-Dmd-p	\$ 0.2	\$ 34.3	\$ 0.6	\$ 19.2	\$ 5.2	\$ -	\$ 2.7
12	Distribution (Cust)	\$ 2,297.5	Mains & serv.-Cust	\$ 32.5	\$ 2,032.8	\$ 14.3	\$ 210.3	\$ 6.5	\$ 0.0	\$ 1.2
13	Distribution (Dmd-p)	\$ 1,616.5	Mains & serv.-Dmd-p	\$ 3.8	\$ 891.4	\$ 14.7	\$ 500.6	\$ 134.7	\$ 0.0	\$ 71.3
14	Mains (Dmd-p)	\$ 193,433.4	Peak day	\$ 459.6	\$ 106,717.4	\$ 1,761.0	\$ 59,929.3	\$ 16,124.0	\$ 2.5	\$ 8,439.5
15	Mains (Cust)	\$ 29,123.0	# of customers	\$ 409.8	\$ 26,144.5	\$ 138.6	\$ 2,410.2	\$ 17.7	\$ 0.1	\$ 2.2
16	Measuring & reg equip	\$ 82.1	Peak day	\$ 0.2	\$ 45.3	\$ 0.8	\$ 25.4	\$ 6.8	\$ -	\$ 3.6
17	Services	\$ 211,523.9	Services	\$ 2,991.0	\$ 186,768.7	\$ 1,367.1	\$ 19,819.3	\$ 659.7	\$ 0.9	\$ 127.3
18	Meters	\$ 23,439.3	Meters	\$ 372.5	\$ 14,915.0	\$ 393.3	\$ 6,915.5	\$ 681.0	\$ 51.6	\$ 130.4
19	Meter installations	\$ 6,233.9	Meters	\$ 99.1	\$ 3,968.8	\$ 104.6	\$ 1,839.3	\$ 175.8	\$ 13.7	\$ 34.7
20	House regulators	\$ 4,623.1	Meters	\$ 73.5	\$ 2,941.8	\$ 77.6	\$ 1,384.0	\$ 130.4	\$ 10.2	\$ 25.7
21	House reg installations	\$ 700.2	Meters	\$ 11.1	\$ 445.6	\$ 11.8	\$ 206.6	\$ 19.8	\$ 1.5	\$ 3.9
22	Other prop.-cust. premises	\$ -							\$ -	\$ -
23	Other equip	\$ 301.7	Mains & serv.-Cust	\$ 4.3	\$ 267.0	\$ 1.9	\$ 27.6	\$ 0.9	\$ -	\$ 0.2
24	Other equip	\$ 242.9	Mains & serv.-Dmd-p	\$ 0.6	\$ 133.9	\$ 2.2	\$ 75.2	\$ 20.2	\$ -	\$ 10.7
	General Plant									
25	Transportation equipment									
26	Meter reading	\$ 35.0	# of customers	\$ 0.5	\$ 31.4	\$ 0.2	\$ 2.9	\$ 0.0	\$ -	\$ -
27	Distribution (Cust)	\$ 1,706.9	Mains & serv.-Cust	\$ 24.1	\$ 1,510.2	\$ 10.6	\$ 155.3	\$ 4.8	\$ 0.0	\$ 0.9
28	Distribution (Dmd-p)	\$ 1,374.1	Mains & serv.-Dmd-p	\$ 3.3	\$ 757.7	\$ 12.5	\$ 425.5	\$ 114.5	\$ 0.0	\$ 60.6
29	UGS (System Supply)	\$ 1,165.0	Seasonal demand	\$ 2.5	\$ 695.4	\$ 9.7	\$ 376.6	\$ 65.4	\$ -	\$ 15.4
30	UGS (Balancing)	\$ 1,565.9	Balancing Volumes	\$ 3.9	\$ 749.3	\$ 29.1	\$ 453.5	\$ 184.6	\$ 0.1	\$ 165.4
31	Utilization	\$ 2,520.8	# of customers	\$ 35.5	\$ 2,263.0	\$ 12.0	\$ 208.6	\$ 1.5	\$ 0.0	\$ 0.2
	Power equipment									
32	Distribution (Cust)	\$ 463.5	Mains & serv.-Cust	\$ 6.6	\$ 410.1	\$ 2.9	\$ 42.4	\$ 1.3	\$ -	\$ 0.3
33	Distribution (Dmd-p)	\$ 373.2	Mains & serv.-Dmd-p	\$ 0.9	\$ 205.8	\$ 3.4	\$ 115.6	\$ 31.1	\$ -	\$ 16.5
34	UGS (System Supply)	\$ 119.7	Seasonal demand	\$ 0.3	\$ 71.4	\$ 1.0	\$ 38.7	\$ 6.7	\$ -	\$ 1.6
35	UGS (Balancing)	\$ 160.9	Balancing Volumes	\$ 0.4	\$ 77.0	\$ 3.0	\$ 46.6	\$ 16.9	\$ 0.0	\$ 17.0
36	Utilization	\$ 684.6	# of customers	\$ 9.6	\$ 614.6	\$ 3.3	\$ 56.7	\$ 0.4	\$ -	\$ 0.1
37	Other (Cust)	\$ 5,642.5	Sub-Tot Gr. pilt-Cust	\$ 81.1	\$ 4,792.9	\$ 44.1	\$ 678.9	\$ 36.8	\$ 1.7	\$ 7.1
38	Other (Demand-peak)	\$ 5,154.1	Sub-Tot Gr. pilt-Dmd-p	\$ 12.2	\$ 2,841.0	\$ 46.9	\$ 1,595.5	\$ 429.3	\$ 0.1	\$ 229.2
39	Other (Demand-seasonal)	\$ 379.1	Sub-Tot. Gr. pilt-Dmd-s	\$ 0.8	\$ 226.3	\$ 3.2	\$ 122.6	\$ 21.3	\$ -	\$ 5.0
40	Other (Commodity)	\$ 970.5	Sub-Tot. Gr pilt-Comm	\$ 2.4	\$ 470.8	\$ 18.0	\$ 282.5	\$ 99.4	\$ 0.1	\$ 97.2
41	Cushion Gas (System Supply)	\$ 3,592.0	Seasonal demand	\$ 7.8	\$ 2,144.1	\$ 29.9	\$ 1,161.3	\$ 201.6	\$ -	\$ 47.4
42	Cushion Gas (Balancing)	\$ 4,828.1	Balancing Volumes	\$ 12.0	\$ 2,310.3	\$ 89.6	\$ 1,398.3	\$ 507.6	\$ 0.2	\$ 510.1
	CWIP									
43	Mains (Demand-peak)	\$ 9,016.2	Peak day	\$ 21.4	\$ 4,974.3	\$ 82.1	\$ 2,793.4	\$ 751.6	\$ 0.1	\$ 393.4
44	Services	\$ 222.0	Services	\$ 3.1	\$ 196.0	\$ 1.4	\$ 20.6	\$ 0.7	\$ -	\$ 0.1
45	LNG (Supply-Demand Peak)	\$ 536.6	Peak day	\$ 1.3	\$ 296.0	\$ 4.9	\$ 166.2	\$ 44.7	\$ 0.0	\$ 23.4
46	LNG (Balancing-Commodity)	\$ 351.5	Balancing Volumes	\$ 0.9	\$ 168.2	\$ 6.5	\$ 101.8	\$ 37.0	\$ 0.0	\$ 37.1
47	UGS (System Supply)	\$ 120.0	Seasonal demand	\$ 0.3	\$ 71.6	\$ 1.0	\$ 38.8	\$ 6.7	\$ -	\$ 1.6
48	UGS (Balancing)	\$ 161.2	Balancing Volumes	\$ 0.4	\$ 77.2	\$ 3.0	\$ 46.7	\$ 17.0	\$ 0.0	\$ 17.0
49	Main office (Cust)	\$ 625.7	Sub-Tot Gr. pilt-Cust	\$ 9.0	\$ 531.5	\$ 4.9	\$ 75.3	\$ 4.1	\$ 0.2	\$ 0.8
50	Main office (Demand-peak)	\$ 571.5	Sub-Tot Gr. pilt-Dmd-p	\$ 1.4	\$ 315.0	\$ 5.2	\$ 178.9	\$ 47.6	\$ 0.0	\$ 25.4
51	Main office (Demand-seasonal)	\$ 42.0	Sub-Tot. Gr. pilt-Dmd-s	\$ 0.1	\$ 25.1	\$ 0.4	\$ 13.6	\$ 2.4	\$ -	\$ 0.8
52	Main office (Commodity)	\$ 107.6	Sub-Tot. Gr pilt-Comm	\$ 0.3	\$ 52.2	\$ 2.0	\$ 31.3	\$ 11.0	\$ 0.0	\$ 10.8
53	Meters, house regulators	\$ 458.8	Meters	\$ 7.3	\$ 292.0	\$ 7.7	\$ 135.4	\$ 12.9	\$ 1.0	\$ 2.6
54	Miscellaneous, Other (Cust)	\$ 570.7	Sub-Tot Gr. pilt-Cust	\$ 8.2	\$ 484.8	\$ 4.5	\$ 68.7	\$ 3.7	\$ 0.2	\$ 0.7
55	Miscellaneous, Other (Dmd-p)	\$ 521.3	Sub-Tot Gr. pilt-Dmd-p	\$ 1.2	\$ 287.4	\$ 4.7	\$ 161.4	\$ 43.4	\$ 0.0	\$ 23.2
56	Miscellaneous, Other (Dmd-s)	\$ 38.4	Sub-Tot. Gr. pilt-Dmd-s	\$ 0.1	\$ 22.9	\$ 0.3	\$ 12.4	\$ 2.2	\$ -	\$ 0.5
57	Miscellaneous, Other (Comm)	\$ 98.2	Sub-Tot. Gr pilt-Comm	\$ 0.3	\$ 47.6	\$ 1.8	\$ 28.6	\$ 10.1	\$ 0.0	\$ 9.8
58	Total investment	\$ 628,773.6		\$ 4,985.2	\$ 432,427.8	\$ 5,724.8	#####	\$ 30,297.3	\$ 87.1	\$ 17,316.1

CITIZENS GAS & COKE UTILITY
Including Gas Costs; FY07 Costs and Allocators
Summary of Unit Costs by Customer Class
(In thousands)

Line		A	B	C	D	E	F	H	
No.	Billing Determinants/Unit Costs	Res	Res	Gen	Gen	Large		High	
1	Determinants	Total	Nonheat	Heat	Nonheat	Heat	Volume	CNG	Load
2	Number of customers	265,176	3,731	238,056	1,262	21,946	161	1	20
3	Peak day (Dthd)	543,844	1,292	300,040	4,951	168,493	45,333	7	23,728
4	Seasonal demand (Dth)	32,628,260	71,094	19,475,824	271,977	10,548,232	1,830,799	0	430,334
5	Annual volume (Dth)	47,700,216	118,504	22,825,291	884,885	13,814,946	5,014,985	2,400	5,039,205
6	Balancing volume (Dth)	16,839,106	41,834	8,057,773	312,382	4,876,945	1,770,387	847	1,778,938
7	Annual load factor (%)	24.0%	25.1%	20.8%	49.0%	22.5%	30.3%	93.9%	58.2%
8	Unit Costs								
9	Customer (\$/month)	\$19.4111	\$20.0203	\$18.0153	\$33.6141	\$31.4615	\$252.6676	\$2,486.1333	\$395.3704
10	Demand--Peak								
11	Gas Costs	\$2.5650	\$2.5688	\$2.5684	\$2.5661	\$2.5621	\$2.5589	\$2.5774	\$2.5542
12	LNG	\$0.8356	\$0.8339	\$0.8342	\$0.8335	\$0.8322	\$0.8312	\$0.7179	\$0.8855
13	T&D	\$7.4330	\$7.4443	\$7.4423	\$7.4357	\$7.4243	\$7.4150	\$7.5940	\$7.4106
14	Total Demand--Peak (\$/Dthd/month)	\$10.8336	\$10.8470	\$10.8449	\$10.8352	\$10.8187	\$10.8051	\$10.8893	\$10.8502
15	Demand--Seasonal (\$/Dth)								
16	Contract Storage	\$0.3191	\$0.3195	\$0.3194	\$0.3192	\$0.3187	\$0.3183	n/a	\$0.3177
17	UGS	\$0.1763	\$0.1765	\$0.1765	\$0.1763	\$0.1761	\$0.1758	n/a	\$0.1755
18	Total Demand--Seasonal (\$/Dth)	\$0.4954	\$0.4960	\$0.4959	\$0.4955	\$0.4947	\$0.4941	n/a	\$0.4932
19	Commodity								
20	Contract Storage per unit of throughput	\$0.0665	\$0.0666	\$0.0666	\$0.0666	\$0.0665	\$0.0664	\$0.0660	\$0.0663
21	Contract Storage per unit of balancing	\$0.1884	\$0.1888	\$0.1888	\$0.1886	\$0.1883	\$0.1881	\$0.1869	\$0.1877
22	Gas Costs	\$6.2582	\$7.9303	\$7.9293	\$6.3604	\$6.8690	\$3.1996	\$7.9277	\$0.0000
23	LNG	\$0.0955	\$0.0958	\$0.0957	\$0.0955	\$0.0954	\$0.0952	\$0.0906	\$0.0949
24	UGS	\$0.1442	\$0.1443	\$0.1445	\$0.1442	\$0.1441	\$0.1436	\$0.1423	\$0.1432
25	Other	\$0.0317	\$0.0336	\$0.0336	\$0.0319	\$0.0324	\$0.0284	\$0.0382	\$0.0249
26	Total Commodity (\$/Dth)	\$6.5961	\$8.2707	\$8.2697	\$6.6987	\$7.2074	\$3.5333	\$8.2647	\$0.3293
21	Customer (\$/month)	\$19.4111	\$20.0203	\$18.0153	\$33.6141	\$31.4615	\$252.6676	\$2,486.1333	\$395.3704
22	Volumetric								
23	Gas Costs	\$6.6091	\$8.2664	\$8.3344	\$6.5327	\$7.2440	\$3.4772	\$8.0179	\$0.1443
24	Contract Storage - Supply	\$0.2183	\$0.1917	\$0.2726	\$0.0981	\$0.2433	\$0.1162	\$0.0000	\$0.0271
25	LNG - Supply	\$0.1143	\$0.1091	\$0.1316	\$0.0560	\$0.1218	\$0.0902	\$0.0251	\$0.0500
26	UGS - Supply	\$0.1206	\$0.1059	\$0.1506	\$0.0542	\$0.1344	\$0.0642	\$0.0000	\$0.0150
27	Contract Storage - Balancing	\$0.0665	\$0.0666	\$0.0666	\$0.0666	\$0.0665	\$0.0664	\$0.0660	\$0.0663
28	LNG - Balancing - per unit of throughput	\$0.0955	\$0.0958	\$0.0957	\$0.0955	\$0.0954	\$0.0952	\$0.0906	\$0.0949
29	UGS - Balancing - per unit of throughput	\$0.1442	\$0.1443	\$0.1445	\$0.1442	\$0.1441	\$0.1436	\$0.1423	\$0.1432
30	LNG - Balancing - per balancing throughput	\$0.2705	\$0.2713	\$0.2711	\$0.2706	\$0.2703	\$0.2696	\$0.2568	\$0.2689
31	UGS - Balancing - per balancing throughput	\$0.4084	\$0.4088	\$0.4094	\$0.4085	\$0.4081	\$0.4069	\$0.4032	\$0.4056
32	Other	\$1.0487	\$1.0076	\$1.2075	\$0.5312	\$1.1190	\$0.8327	\$0.3040	\$0.4436
33	Total Volumetric (\$/Dth)	\$8.4171	\$9.9874	\$10.4035	\$7.5785	\$9.1685	\$4.8857	\$8.6458	\$0.9845
34	Unit revenue requirement (\$/Dth)	\$9.7121	\$17.5513	\$12.6582	\$8.1537	\$9.7683	\$4.9833	\$21.0765	\$1.0033

Citizens Gas & Coke Utility
Calculation of Subsidy / Excess Adjustment

Line		A	B	C	D	E	F	G	I
No	Description	Res Nonheat	Res Heat	Gen Nonheat	Gen Heat	Large Volume	CNG	High Load	Total
1	Proforma Revenue at Present Rates	\$ 1,723	\$ 275,016	\$ 7,426	\$ 129,437	\$ 21,367	\$ 26	\$ 2,126	\$ 437,120
2	ProForma Other Revenues	\$ 35	\$ 4,662	\$ 87	\$ 1,275	\$ 201	\$ 0	\$ 13	\$ 6,273
3	Total ProForma Revenues at Present Rates	\$ 1,758	\$ 279,678	\$ 7,512	\$ 130,712	\$ 21,568	\$ 26	\$ 2,139	\$ 443,393
Gas Costs:									
4	Natural gas	\$ 1,003	\$ 190,199	\$ 5,936	\$ 99,174	\$ 16,956	\$ 20	\$ 1	\$ 313,289
5	Contracted storage	\$ 33	\$ 8,262	\$ 155	\$ 4,178	\$ 642	\$ 0	\$ 49	\$ 13,320
6	Total gas costs	\$ 1,036	\$ 198,461	\$ 6,091	\$ 103,352	\$ 17,598	\$ 21	\$ 50	\$ 326,609
7	Total revenue requirement	\$ 2,113	\$ 290,846	\$ 7,417	\$ 134,449	\$ 24,301	\$ 52	\$ 3,910	\$ 463,088
8	Revenue to cost ratio (ln.3/ln.7)	0.83	0.96	1.01	0.97	0.89	0.51	0.55	0.96
9	Increase requirement by class	\$ 355	\$ 11,168	\$ (95)	\$ 3,737	\$ 2,734	\$ 26	\$ 1,771	\$ 19,695
10	Percent increase in total	20.22%	3.99%	-1.27%	2.86%	12.67%	97.96%	82.78%	4.44%
11	Margin at Revenue req't (ln.7-ln.6)	\$ 1,077	\$ 92,384	\$ 1,326	\$ 31,097	\$ 6,703	\$ 31	\$ 3,860	\$ 136,479
	Percent of Rev Req't w/o gas cost								
12	D2, D4 and D5 only	1/	70.96%		23.89%	5.15%			100.00%
13	Subsidy by class (reduction) / increase	2/	\$ (178)	\$ 119		\$ (13)	\$ (885)		\$ (957)
14	Subsidy amount added to D2, 3, 4 & 5		\$ 679	\$ 229	\$ 49				\$ 957
15	Proposed margin by class		\$ 899	\$ 93,064	\$ 1,445	\$ 31,326	\$ 6,752	\$ 18	\$ 2,975
16	Proposed Rev Req't by class (ln 15 + ln 6)		\$ 1,935	\$ 291,525	\$ 7,536	\$ 134,678	\$ 24,351	\$ 39	\$ 3,024
17	Percent increase - total w subsidy		10.11%	4.24%	0.32%	3.03%	12.90%	48.98%	41.39%
									4.44%

Note 1/: (ln.11, col. B, D, or E) / (ln.11 col.I)

Note 2/: Subsidy calculation based on a 50% reduction for D1, a 125% increase for D3, a 50% reduction for D7 and a 50% reduction to D9.

CITIZENS GAS & COKE UTILITY
Summary of Allocation Factors

		A	B	D	E	F	G	H
SUMMARY OF ALLOCATION FACTORS		Res Nonheat	Res Heat	Gen Nonheat	Gen Heat	Large Volume	CNG	High Load
1	Total sales	1.000000	0.002484	0.018551	0.289620	0.105135	0.000050	0.105643
2	Summer sales	1.000000	0.002829	0.031000	0.258339	0.164540	0.000105	0.194155
3	Seasonal Demand (Heat Load)	1.000000	0.002179	0.008336	0.323285	0.056111	0.000000	0.013189
4	Peak day	1.000000	0.002376	0.009104	0.309819	0.083357	0.000013	0.043630
5	Retail sales	1.000000	0.003145	0.018853	0.318347	0.053898	0.000064	0.000000
6	Total bills	1.000000	0.014070	0.004758	0.082759	0.000608	0.000004	0.000075
7	Avg number of customers	1.000000	0.014070	0.004758	0.082759	0.000608	0.000004	0.000075
8	Total Balancing Volumes (Dth)	1.000000	0.002484	0.018551	0.289620	0.105135	0.000050	0.105643
9	Services	1.000000	0.014140	0.006416	0.092752	0.003119	0.000004	0.000602
10	Meters	1.000000	0.015894	0.016778	0.295039	0.028199	0.002200	0.005565
11	Pro forma revenue	1.000000	0.003941	0.016988	0.296113	0.048880	0.000060	0.004864
12	CNG - Customer Premise	1.000000	0.000000	0.000000	0.000000	0.000000	1.000000	0.000000
13	Allocated Payroll--Customer	1.000000	0.014440	0.007631	0.126431	0.006729	0.000418	0.001303
14	Allocated Payroll--Demand-Peak	1.000000	0.002375	0.009100	0.309686	0.083322	0.000013	0.044041
15	Allocated Payroll--Demand-Seasonal	1.000000	0.002179	0.008336	0.323285	0.056111	0.000000	0.013189
16	Allocated Payroll--Commodity	1.000000	0.002484	0.018551	0.289620	0.105135	0.000050	0.105643
17	Mains & Services--Customer	1.000000	0.014132	0.006215	0.091542	0.002815	0.000004	0.000538
18	Mains & Services--Demand-Peak	1.000000	0.002375	0.009099	0.309665	0.083316	0.000013	0.044106
19	Gross Plant--Customer	1.000000	0.014380	0.007815	0.120403	0.006528	0.000306	0.001259
20	Gross Plant--Demand-peak	1.000000	0.002374	0.009096	0.309539	0.083282	0.000013	0.044495
21	Gross Plant--Demand-seasonal	1.000000	0.002179	0.008336	0.323285	0.056112	0.000000	0.013190
22	Gross Plant--Commodity	1.000000	0.002522	0.018569	0.291299	0.102140	0.000051	0.099469
23	Gross Plant & Cushion Gas--Demand-season.	1.000000	0.002179	0.008336	0.323285	0.056111	0.000000	0.013189
24	Gross Plant & Cushion Gas--Commodity	1.000000	0.002519	0.018567	0.291135	0.102432	0.000051	0.100070
25	Dist Plant less Land--Customer	1.000000	0.014386	0.007870	0.121157	0.006639	0.000313	0.001299
26	Dist Plant less Land--Demand-peak	1.000000	0.002376	0.009104	0.309818	0.083357	0.000013	0.043634
27	Transmission--Demand-peak	1.000000	0.002376	0.009104	0.309819	0.083357	0.000013	0.043630
28	Transmission--Demand-seasonal	1.000000	0.002179	0.008337	0.323285	0.056112	0.000000	0.013189
29	Transmission--Commodity	1.000000	0.002484	0.018551	0.289619	0.105134	0.000051	0.105643
30	Transportation Equipment--Customer	1.000000	0.014095	0.005341	0.086276	0.001492	0.000004	0.000260
31	Transportation Equipment--Demand-peak	1.000000	0.002375	0.009099	0.309665	0.083316	0.000013	0.044106
32	Transportation Equipment--Demand-seasonal	1.000000	0.002179	0.008336	0.323285	0.056111	0.000000	0.013189
33	Transportation Equipment--Commodity	1.000000	0.002484	0.018551	0.289620	0.105135	0.000050	0.105643
34	Non-industrial Revenue factor	1.000000	0.004164	0.017952	0.312931	0.000000	0.000063	0.000000
35	Total Oper. Expense Ex. Nat. Gas--Customer	1.000000	0.014548	0.008292	0.138922	0.008301	0.000552	0.001615
36	Total Oper. Expense Ex. Nat. Gas--Demand-p	1.000000	0.002376	0.009103	0.309779	0.083346	0.000013	0.043754
37	Total Oper. Expense Ex. Nat. Gas--Demand-s	1.000000	0.002179	0.008336	0.323285	0.056111	0.000000	0.013189
38	Total Oper. Expense Ex. Nat. Gas--Commodit	1.000000	0.002496	0.018556	0.290144	0.104201	0.000050	0.103718
39	Total Oper. Expense Ex. Nat. Gas--All (Summ	1.000000	0.008274	0.009898	0.225186	0.048379	0.000278	0.029623

THE
FEDERAL
BUREAU OF
INVESTIGATION
OF THE
DEPARTMENT OF JUSTICE

REPORT OF THE
FEDERAL BUREAU OF
INVESTIGATION
ON THE
ACTS OF
TERRORISM

IN CONNECTION WITH
THE
ATTACK ON
THE
UNITED STATES
CAPITOL

ON
JANUARY 6, 1963

BY
THE
FEDERAL BUREAU OF
INVESTIGATION
OF THE
DEPARTMENT OF JUSTICE

WASHINGTON, D. C.
1963

Citizens Gas & Coke Utility
Proposed Rate Design
Gas Rate D1 - Residential Domestic

<u>Line No.</u>	<u>Charge</u> a	<u>Current Rates</u> b	<u>Proposed Rates</u> c
1	Facility (per month)	\$6.65	\$7.00
2	Delivery Charge (per therm)	0.2771	0.4648

Citizens Gas & Coke Utility
Proposed Rate Design
Gas Rate D2 - Residential Heating

Line No.	<u>Charge</u> a	<u>Current Rates</u> b	<u>Proposed Rates</u> c
1	Facility (per month)	\$10.00	\$11.00
	Delivery Charge (per therm)		
2	First 46 Therms	0.2520	0.3113
3	Over 46 Therms	0.1716	0.2120

Citizens Gas & Coke Utility
Proposed Rate Design
Gas Rate D3 - General Non-Heat

Line No.	<u>Charge</u> a	<u>Current Rates</u> b	<u>Proposed Rates</u> c
	<u>Facility (per month)</u>		
1	Meter Class 1	\$15.00	\$15.00
2	Meter Class 2	\$54.40	\$54.40
3	Meter Class 3	\$183.75	\$183.75
	<u>Delivery Charge for all customers excluding Basic</u>		
4	First 500 therms	0.1252	0.1226
5	Next 1,500 therms	0.0950	0.0930
6	Over 2,000 therms	0.0763	0.0747
	<u>Delivery Charge for Basic</u>		
7	First 500 therms	0.1118	0.1095
8	Next 1,500 therms	0.0819	0.0802
9	Over 2,000 therms	0.0636	0.0623

Citizens Gas & Coke Utility
Proposed Rate Design
Gas Rate D4 - General Heat

<u>Line No.</u>	<u>Charge a</u>	<u>Current Rates b</u>	<u>Proposed Rates c</u>
	<u>Facility (per month)</u>		
1	Meter Class 1	\$16.25	\$16.25
2	Meter Class 2	\$54.00	\$54.00
3	Meter Class 3	\$178.25	\$178.25
	<u>Delivery Charge for all customers excluding Basic</u>		
4	First 500 therms	0.1390	0.1667
5	Next 1,500 therms	0.1258	0.1508
6	Next 3,000 therms	0.1148	0.1376
7	All usage over 5,000 therms	0.1059	0.1270
	<u>Delivery Charge for Basic</u>		
8	First 500 therms	0.1268	0.1520
9	Next 1,500 therms	0.1137	0.1363
10	Next 3,000 therms	0.1028	0.1233
11	All usage over 5,000	0.0940	0.1127

Citizens Gas & Coke Utility
Proposed Rate Design
Gas Rate D5 - Large Volume

<u>Line No.</u>	<u>Charge</u> a	<u>Current Rates</u> b	<u>Proposed Rates</u> c
	<u>Facility (per month)</u>		
1	Meter Class 1	\$50.00	\$50.00
2	Meter Class 2	150.00	150.00
3	Meter Class 3	600.00	600.00
	<u>Delivery Charges</u>		
4	Transport	0.0349	0.0792
5	Basic	0.0275	0.0623
6	Basic opt out (\$0.0063/Th discount)	0.0195	0.0560
7	<u>Demand Charge</u>	0.4157	0.5000

Citizens Gas & Coke Utility
Proposed Rate Design
Gas Rate D7 - Compressed Natural Gas

<u>Line No.</u>	<u>Charge</u> a	<u>Current Rates</u> b	<u>Proposed Rates</u> c
1	Facility (per month)	\$70.00	\$100.00
2	Delivery (per therm)	0.2006	0.7101

Citizens Gas & Coke Utility
Proposed Rate Design
Gas Rate D9 - High Load

<u>Line No.</u>	<u>Charge</u> a	<u>Current Rates</u> b	<u>Proposed Rates</u> c
	<u>Facility (per month)</u>		
1	Meter Class 1	\$50.00	\$50.00
2	Meter Class 2	\$150.00	\$150.00
3	Meter Class 3	\$600.00	\$600.00
	<u>Delivery Charge</u>		
4	Transport	0.0349	0.0506
5	Basic	0.0275	0.0399
6	Basic Opt out	0.0195	0.0336
7			
8	<u>Demand Charge</u>	0.4157	0.5000

Citizens Gas & Coke Utility
Proposed Rate Design

	A	B	C	D	E	F	G	H	I
			Proposed Rate Design				(A*E)		(G+H)
Line No.	Proposed Rates		Current Rates	Sources 1/	2007 & 2008 Number & Type of Units		Pro forma Margin w/out gas costs	Gas Costs 2/	Total Revenues with Gas costs
Residential Domestic (D1)									
1	Facilities Charge	\$ 7.00	month	6.65	44,772	services	\$313,404		
2	Delivery Charge	\$ 0.4648	therm	0.2771	1,185,021	therms	\$550,798		
3	Total Delivery Charges				1,185,021		\$864,202		
4	Total class margin revenue per throughput unit				1,185,021	therms	\$864,202		
5	Adjusted Pro forma Revenue (In 4 * In 5)						\$864,202		
6									
7	Percent Increase (Col B) to produce Rev Req (Col F)		67.75%			\$ 884,165			
8	Total Pro Forma Revenues with gas costs						\$864,202	\$1,036,066	\$1,900,268
Revenue Residential Heating (D2)									
9	Facilities Charge	\$ 11.00	month	10.00	2,856,667	services	\$31,423,337		
Commodity Charge:									
10	First 46 therms	\$ 0.3113	therm	0.2520	86,514,760	therms	\$26,932,045		
11	All usage over 46 therms	\$ 0.2120	therm	0.1716	141,738,143	therms	\$30,048,486		
12	Total Delivery Charges				228,252,903	therms	\$56,980,531		
13	Total class margin revenue per throughput unit				228,252,903	therms	\$88,403,868		
14	Adjusted Pro forma Revenue (In 13 * In 14)						\$88,403,868		
15									
16	Percent Increase (Col B) to produce Rev Req (Col F)		23.53%			\$ 88,401,623			
17	Total Pro Forma Revenues with gas costs						\$88,403,868	\$198,461,409	\$286,865,277
General Non-Heat (D3 and D3T)									
Facilities Charge:									
18	Meter class 1	\$ 15.00	month	15.00	10,969	services	\$164,535		
19	Meter class 2	\$ 54.40	month	54.40	3,228	services	\$175,603		
20	Meter class 3	\$ 183.75	month	183.75	945	services	\$173,644		
21	Total Facility Charges and # of services				15,142		\$513,782		
Delivery Charge for all Customers excl. Basic:									
22	First 500 therms	\$ 0.1226	therm	0.1252	2,906,646	therms	\$356,355		
23	Next 1500 therms	\$ 0.0930	therm	0.0950	2,220,011	therms	\$206,461		
24	All usage over 2,000 therms	\$ 0.0747	therm	0.0763	3,722,216	therms	\$278,050		
25	Subtotal				8,848,873		\$840,866		
Delivery Charge for Basic:									
26	First 500 therms	\$ 0.1095	therm	0.1118	0	therms	\$0		
27	Next 1500 therms	\$ 0.0802	therm	0.0819	0	therms	\$0		
28	All usage over 2,000 therms	\$ 0.0623	therm	0.0636	0	therms	\$0		
29	Subtotal				0		\$0		
30	Total Delivery Charges				8,848,873		\$3,840		
31	AMR Charges	\$ 64.00	unit	34.00	60	units	\$1,358,488		
32	Total class margin revenue per throughput unit				8,848,873	therms	\$1,358,488		
33	Adjusted Pro forma Revenue (In 32 * In 33)						\$1,358,488		
34									
35	Percent Increase (Col B) to produce Rev Req (Col F)		-2.10%			\$ 1,358,435			
36	Total Pro Forma Revenues with gas costs						\$1,358,488	\$6,091,008	\$7,449,496

Citizens Gas & Coke Utility
Proposed Rate Design

Line No.	A	B	C	D	E	F	G (A*E) Pro forma Margin w/out gas costs	H Gas Costs 2/	I (G+H) Total Revenues with Gas costs
	Proposed Rates		Current Rates	Sources 1/	2007 & 2008 Number & Type of Units				
General Heat Standard (D4 and D4T))									
Facilities Charge:									
37	Meter class 1	\$ 16.25 month	16.25		171,100 services		\$2,780,375		
38	Meter class 2	\$ 54.00 month	54.00		77,343 services		\$4,176,522		
39	Meter class 3	\$ 178.25 month	178.25		14,905 services		\$2,656,816		
40	Total Facility Charges and # of services				263,348		\$9,613,713		
Delivery Charge for all Customers excl. Basic:									
41	First 500 therms	\$ 0.1667 therm	0.1390		45,503,070 therms		\$7,585,362		
42	Next 1500 therms	\$ 0.1508 therm	0.1258		35,694,697 therms		\$5,382,760		
43	Next 3000 therms	\$ 0.1376 therm	0.1148		21,029,911 therms		\$2,893,716		
44	All usage over 5,000 therms	\$ 0.1270 therm	0.1059		35,921,758 therms		\$4,562,063		
45	Subtotal				138,149,436		\$20,423,901		
Delivery Charge for Basic Customers:									
46	First 500 therms	\$ 0.1520 therm	0.1268		0 therms		\$0		
47	Next 1500 therms	\$ 0.1363 therm	0.1137		0 therms		\$0		
48	Next 3000 therms	\$ 0.1233 therm	0.1028		0 therms		\$0		
49	All usage over 5,000 therms	\$ 0.1127 therm	0.0940		0 therms		\$0		
50	Subtotal				0		\$0		
51	Total Delivery Charges				138,149,436				
52	AMR Charges	\$ 64.00 unit	34.00		228 units		\$14,592		
53	Total class margin revenue per throughput unit				138,149,436 therms		\$30,052,206		
54	Adjusted Pro forma Revenue (In 48 * In 49)						\$30,052,206		
55									
56	Percent Increase (Col B) to produce Rev Req (Col F)		19.90%			\$ 30,050,431			
57	Total Pro Forma Revenues with gas costs						\$30,052,206	\$103,351,642	\$133,403,848

Citizens Gas & Coke Utility
Proposed Rate Design

Line No.	A	B	C	D	E	F	G (A+E) Pro forma Margin w/out gas costs	H Gas Costs 2/	I (G+H) Total Revenues with Gas costs
	Proposed Rates		Current Rates	Sources 1/	2007 & 2008 Number & Type of Units				
Large Volume Standard (D5, D5T, D5B & D5C)									
Facilities Charge:									
58	Meter Class I	\$ 50.00	per service per month	50.00	85 services		\$4,250		
59	Meter Class II	\$ 150.00	per service per month	150.00	304 services		\$45,600		
60	Meter Class III	\$ 600.00	per service per month	600.00	1,547 services		\$928,200		
61	Total Facility Charges and # of services				1,936		\$978,050		
Delivery Charge Retail and Transport:									
62	Delivery Charge	\$ 0.0792	therms	0.0349	43,731,386 therms		\$3,463,526		
63	Total Delivery Charges				43,731,386		\$3,463,526		
Delivery Charge Basic:									
64	Delivery Charge	\$ 0.0623	therms	0.0275	5,020,665 therms		\$312,787		
65	Total Basic Delivery Charges				5,020,665		\$312,787		
Delivery Charge Basic Opt-Out:									
66	Delivery Charge	\$ 0.0560	therms	0.0195	1,397,791 therms		\$78,276		
67	Total Basic Opt-Out Delivery Charges				1,397,791		\$78,276		
Demand Charge:									
68	Demand Charge	\$ 0.5000	bill dmd therms	0.4157	3,313,980 therms		\$1,656,990		
69	Total Demand Charges				3,313,980		\$1,656,990		
70	AMR Charges	\$ 64.00	unit	34.00	912 units		\$58,368		
71	Total class margin revenue per throughput unit				50,149,842 therms		\$6,547,997		
72	Percent Increase (Col B) to produce Rev Req (Col F)					\$ 6,550,968			
73	Adjusted Pro forma Revenue with Gas Cost (ln 66 * ln 67)						\$6,547,997	\$17,598,371	\$24,146,368
Compressed Natural Gas (CNG) - D7									
74	Facilities Charge	\$ 100.00	month	70.00	12 services		\$1,200		
75	Delivery Charge	\$ 0.7101	therm	0.2006	24,000 therms		\$17,042		
76	Total Delivery Charges				24,000				
77	Total class margin revenue per throughput unit				24,000 therms		\$18,242		
78	Percent Increase (Col B) to produce Rev Req (Col F)					\$ 18,240			
79	Adjusted Pro forma Revenue with Gas Cost (ln 72 * ln 73)						\$18,242	\$20,621	\$38,863

Citizens Gas & Coke Utility
Proposed Rate Design

Line No.	A	B	C	D	E	F	G (A*E) Pro forma Margin w/out gas costs	H Gas Costs 2/	I (G+H) Total Revenues with Gas costs
	Proposed Rates		Current Rates	Sources 1/	2007 & 2008 Number & Type of Units				
High Load Standard 3rd Party (D9T, D9B, & D9C)									
Facilities Charge:									
80	Meter Class I	\$ 50.00	per service per month	50.00	12 services		\$600		
81	Meter Class II	\$ 150.00	per service per month	150.00	24 services		\$3,600		
82	Meter Class III	\$ 600.00	per service per month	600.00	204 services		\$122,400		
83	Total Facility Charges and # of services				240		\$126,600		
Delivery Charge Transport:									
84	Delivery Charge	\$ 0.0506	therms	0.0349	5,253,827 therms		\$265,844		
85	Total Delivery Charges				5,253,827		\$265,844		
Delivery Charge Basic:									
86	Delivery Charge	\$ 0.0399	therms	0.0275	6,632,215 therms		\$264,625		
87	Total Basic Delivery Charges				6,632,215		\$264,625		
Delivery Charge Basic Opt-Out:									
88	Delivery Charge	\$ 0.0336	therms	0.0195	38,505,985 therms		\$1,293,801		
89	Total Basic Opt-Out Delivery Charges				38,505,985		\$1,293,801		
90	Total Delivery Charges				50,392,027				
Demand Charge:									
91	Demand Charge	\$ 0.5000	bill dmd therms	0.4157	1,983,012 therms		\$991,506		
92	Total Demand Charges				1,983,012		\$991,506		
93	AMR Charges	\$ 64.00	unit	34.00	324 units		\$20,736		
94	Total class margin revenue per throughput unit				50,392,027 therms		\$2,963,112		
95	Percent Increase (Col B) to produce Rev Req (Col F)		45.00%			\$ 2,981,838			
96	Adjusted Pro forma Revenue with Gas Cost (In 89 * In 90)						\$2,963,112	\$49,853	\$3,012,965
97	Gas Revenues with Gas Costs by Rate						\$130,208,115	\$326,608,969	\$456,817,084
98									
99	Total Gas Revenues with Gas Costs (In 97, Col G + Col H)						\$130,208,115	\$326,608,969	\$456,817,084

Citizens Gas & Coke Utility
Revenue Proof Based on Proposed Rates

	A	B	C	D	E	F	G	H
Line No.	Res <u>Nonheat</u>	Res <u>Heat</u>	Gen <u>Nonheat</u>	Gen <u>Heat</u>	Large <u>Volume</u>	<u>CNG</u>	High <u>Load</u>	<u>Total</u>
1 Other rev	\$35,145	\$4,661,780	\$86,888	\$1,275,224	\$201,185	\$156	\$12,754	\$6,273,133
2 gas cost	\$1,036,066	\$198,461,409	\$6,091,008	\$103,351,642	\$17,598,371	\$20,621	\$49,853	\$326,608,969
3 total rev req	\$1,935,377	\$291,524,812	\$7,536,331	\$134,677,298	\$24,350,523	\$39,017	\$3,024,445	\$463,087,803
4 PF margin	\$864,165	\$88,401,623	\$1,358,435	\$30,050,431	\$6,550,968	\$18,240	\$2,961,838	\$130,205,701
5 Rev Proof	\$1,935,413	\$291,527,056	\$7,536,384	\$134,679,073	\$24,347,553	\$39,019	\$3,025,719	\$463,090,217
6 Difference	\$37	\$2,245	\$53	\$1,775	-\$2,971	\$2	\$1,274	\$2,414
								0.0005%

**Citizens Gas & Coke Utility
Residential Domestic
Bill Comparison**

Line No.	Month	Therms	Revenues at Present Rates	Revenues at Proposed Rates	Difference \$	Difference %
	a	b	c	d	e (d-c)	f (e/c)
1	January	47	\$61.80	\$68.57	\$6.77	10.95%
2	February	52	66.13	73.59	\$7.46	11.28%
3	March	41	52.09	58.05	\$5.96	11.44%
4	April	30	40.36	44.82	\$4.46	11.05%
5	May	21	30.44	33.66	\$3.22	10.58%
6	June	16	25.24	27.77	\$2.53	10.02%
7	July	15	23.28	25.68	\$2.40	10.31%
8	August	14	21.62	23.89	\$2.27	10.50%
9	September	16	22.08	24.62	\$2.54	11.50%
10	October	19	25.68	28.63	\$2.95	11.49%
11	November	24	32.79	36.42	\$3.63	11.07%
12	December	42	53.38	59.47	\$6.09	11.41%
13	Total	337	\$454.89	\$505.17	\$50.28	11.05%

**Citizens Gas & Coke Utility
 Residential Heating
 Bill Comparison**

Line No.	Month a	Therms b	Revenues at Present Rates c	Revenues at Proposed Rates d	Difference \$ e (d-c)	Difference % f (e/c)
1	January	223	\$252.62	\$261.78	\$9.16	3.63%
2	February	177	198.43	206.09	7.66	3.86%
3	March	132	147.04	153.23	6.19	4.21%
4	April	66	81.36	85.38	4.02	4.94%
5	May	30	43.53	46.08	2.55	5.86%
6	June	13	24.93	26.61	1.68	6.74%
7	July	15	26.43	28.20	1.77	6.70%
8	August	13	23.64	25.31	1.67	7.06%
9	September	17	25.90	27.78	1.88	7.26%
10	October	46	54.16	57.53	3.37	6.22%
11	November	118	127.65	133.39	5.74	4.50%
12	December	175	184.60	192.19	7.59	4.11%
13	Total	1026	\$1,190.29	\$1,243.57	\$53.28	4.48%

**Citizens Gas & Coke Utility
 General Non-Heating - Retail
 Bill Comparison**

Line No.	Month	Therms	Revenues at Present Rates	Revenues at Proposed Rates	Difference \$	Difference %
	a	b	c	d	e (d-c)	f (e/c)
1	January	714	\$676.34	\$678.25	\$1.91	0.28%
2	February	694	637.91	639.76	1.85	0.29%
3	March	634	558.54	560.20	1.66	0.30%
4	April	585	526.77	528.28	1.51	0.29%
5	May	563	512.82	514.26	1.44	0.28%
6	June	574	542.05	543.53	1.48	0.27%
7	July	431	387.82	388.89	1.07	0.28%
8	August	431	372.04	373.12	1.08	0.29%
9	September	578	436.26	437.75	1.49	0.34%
10	October	572	453.61	455.08	1.47	0.32%
11	November	580	511.79	513.29	1.50	0.29%
12	December	771	702.41	704.50	2.09	0.30%
13	Total	<u>7,127</u>	<u>\$6,318.36</u>	<u>\$6,336.91</u>	<u>\$18.55</u>	<u>0.29%</u>

**Citizens Gas & Coke Utility
 General Non Heating - Standard
 Bill Comparison**

Line No.	Month a	Therms b	Revenues at Present Rates c	Revenues at Proposed Rates d	Difference \$ e (d-c)	Difference % f (e/c)
1	January	6,908	\$6,180.56	\$6,214.24	\$33.68	0.54%
2	February	5,981	5,183.35	5,213.78	\$30.43	0.59%
3	March	7,063	5,811.58	5,845.80	\$34.22	0.59%
4	April	5,155	4,337.42	4,364.96	\$27.54	0.63%
5	May	7,125	6,032.64	6,067.08	\$34.44	0.57%
6	June	5,277	4,664.37	4,692.34	\$27.97	0.60%
7	July	4,939	4,087.49	4,114.28	\$26.79	0.66%
8	August	4,595	3,638.40	3,663.98	\$25.58	0.70%
9	September	5,689	3,948.07	3,977.48	\$29.41	0.74%
10	October	4,208	3,094.15	3,118.38	\$24.23	0.78%
11	November	4,752	3,914.82	3,940.96	\$26.14	0.67%
12	December	5,392	4,658.16	4,686.53	\$28.37	0.61%
13	Total	67,085	\$55,551.01	\$55,899.81	\$348.80	0.63%

**Citizens Gas & Coke Utility
General Heat - Retail
Bill Comparison**

Line No.	Month	Therms	Revenues at Present Rates	Revenues at Proposed Rates	Difference \$	Difference %
	a	b	c	d	e (d-c)	f (e/c)
1	January	1,205	\$1,218.40	\$1,255.59	\$37.19	3.05%
2	February	992	978.80	1,009.65	\$30.85	3.15%
3	March	731	704.11	727.20	\$23.09	3.28%
4	April	346	349.43	360.66	\$11.23	3.21%
5	May	219	229.52	236.63	\$7.11	3.10%
6	June	170	186.02	191.54	\$5.52	2.97%
7	July	147	155.54	160.31	\$4.77	3.07%
8	August	136	139.50	143.91	\$4.41	3.16%
9	September	159	144.52	149.68	\$5.16	3.57%
10	October	343	303.19	314.32	\$11.13	3.67%
11	November	589	557.93	576.80	\$18.87	3.38%
12	December	963	920.42	950.41	\$29.99	3.26%
13	Total	6,000	\$5,887.38	\$6,076.70	\$189.32	3.22%

Citizens Gas & Coke Utility
General Heat-Standard
Bill Comparison

Line No.	Month a	Therms b	Revenues at Present Rates c	Revenues at Proposed Rates d	Difference \$ e (d-c)	Difference % f (e/c)
1	January	9,827	\$9,643.02	\$9,911.65	\$268.63	2.79%
2	February	8,213	7,839.60	8,066.51	226.91	2.89%
3	March	7,186	6,643.22	6,843.60	200.38	3.02%
4	April	3,852	3,660.62	3,772.47	111.85	3.06%
5	May	2,733	2,640.30	2,721.33	81.03	3.07%
6	June	1,629	1,628.17	1,677.98	49.81	3.06%
7	July	1,597	1,515.45	1,564.31	48.86	3.22%
8	August	1,335	1,214.66	1,255.71	41.05	3.38%
9	September	2,077	1,670.09	1,733.04	62.95	3.77%
10	October	2,811	2,328.10	2,411.27	83.17	3.57%
11	November	5,371	4,861.15	5,014.61	153.46	3.16%
12	December	7,645	7,062.28	7,274.51	212.23	3.01%
13	Total	54,274	\$50,706.66	\$52,246.99	\$1,540.33	3.04%

Citizens Gas & Coke Utility
 Large Volume - Retail
 Bill Comparison

Line No.	Month a	Therms b	Revenues at Present Rates c	Revenues at Proposed Rates d	Difference \$ e (d-c)	Difference % f (e/c)
1	January	55,793	\$ 44,526.45	\$ 47,544.59	\$ 3,018.14	6.78%
2	February	49,424	38,075.45	40,764.41	2,688.96	7.06%
3	March	43,120	33,117.09	35,480.25	2,363.16	7.14%
4	April	34,226	27,104.83	29,008.31	1,903.48	7.02%
5	May	27,410	22,208.06	23,759.28	1,551.22	6.98%
6	June	24,003	20,812.07	22,187.20	1,375.13	6.61%
7	July	23,641	19,214.63	20,571.05	1,356.42	7.06%
8	August	23,673	18,315.68	19,673.75	1,358.07	7.41%
9	September	25,607	17,760.08	19,218.11	1,458.03	8.21%
10	October	32,803	23,596.45	25,426.40	1,829.95	7.76%
11	November	41,516	33,260.70	35,540.96	2,280.26	6.86%
12	December	51,203	42,196.16	44,977.07	2,780.91	6.59%
13	Total	432,419	\$340,187.65	\$364,151.38	\$23,963.73	7.04%

**Citizens Gas & Coke Utility
 Large Volume -Standard
 Bill Comparison**

Line No.	Month a	Therms b	Revenues at Present Rates c	Revenues at Proposed Rates d	Difference \$ e (d-c)	Difference % f (e/c)
1	January	32,639	\$26,360.53	\$28,139.03	\$1,778.50	6.75%
2	February	40,201	30,994.07	33,163.39	2,169.32	7.00%
3	March	24,984	19,508.20	20,891.09	1,382.89	7.09%
4	April	21,926	17,606.18	18,831.00	1,224.82	6.96%
5	May	21,153	17,215.13	18,400.00	1,184.87	6.88%
6	June	17,344	15,177.38	16,165.41	988.03	6.51%
7	July	15,816	13,061.24	13,970.28	909.04	6.96%
8	August	16,816	13,164.44	14,125.15	960.71	7.30%
9	September	17,384	12,250.69	13,240.75	990.06	8.08%
10	October	33,626	23,944.57	25,774.06	1,829.49	7.64%
11	November	30,881	24,851.99	26,539.61	1,687.62	6.79%
12	December	35,389	29,342.16	31,262.78	1,920.62	6.55%
13	Total	308,159	\$243,476.58	\$260,502.55	\$17,025.97	6.99%

**Citizens Gas & Coke Utility
 Large Volume - Basic
 Bill Comparison with Gas Costs**

Line No.	Month	Therms	Revenues at Present Rates	Revenues at Proposed Rates	Difference \$	Difference %
	a	b	c	d	e (d-c)	f (e/c)
1	January	73,844	\$58,710.47	\$61,569.76	\$2,859.29	4.87%
2	February	165,066	123,681.03	129,714.82	6,033.79	4.88%
3	March	103,129	77,393.96	81,272.34	3,878.38	5.01%
4	April	79,906	61,685.21	64,755.43	3,070.22	4.98%
5	May	60,549	47,711.50	50,108.09	2,396.59	5.02%
6	June	54,640	45,941.77	48,132.75	2,190.98	4.77%
7	July	53,720	42,194.05	44,353.01	2,158.96	5.12%
8	August	51,804	38,730.94	40,823.23	2,092.29	5.40%
9	September	51,996	34,956.49	37,055.44	2,098.95	6.00%
10	October	45,743	32,780.52	34,661.88	1,881.36	5.74%
11	November	52,746	42,283.13	44,408.19	2,125.06	5.03%
12	December	123,781	99,988.22	104,585.32	4,597.10	4.60%
13	Total	<u>916,923</u>	<u>\$706,057.29</u>	<u>\$741,440.26</u>	<u>\$35,382.97</u>	<u>5.01%</u>

**Citizens Gas & Coke Utility
 High Load - Standard
 Bill Comparison with Gas Costs**

Line No.	Month	Therms	Revenues at Present Rates	Revenues at Proposed Rates	Difference \$ e (d-c)	Difference % f (e/c)
	a	b	c	d		
1	January	771,000	\$575,641.02	\$589,549.69	\$13,908.67	2.42%
2	February	748,275	548,702.69	562,254.57	13,551.88	2.47%
3	March	437,482	338,875.92	347,548.36	8,672.44	2.56%
4	April	408,515	329,934.89	338,152.54	8,217.65	2.49%
5	May	257,729	206,787.27	212,637.59	5,850.32	2.83%
6	June	212,703	174,595.79	179,739.20	5,143.41	2.95%
7	July	207,703	170,153.99	175,218.90	5,064.91	2.98%
8	August	232,737	191,193.50	196,651.44	5,457.94	2.85%
9	September	225,525	184,097.18	189,441.89	5,344.71	2.90%
10	October	477,608	331,690.08	340,992.49	9,302.41	2.80%
11	November	548,020	432,621.97	443,029.85	10,407.88	2.41%
12	December	726,530	536,738.54	549,949.03	13,210.49	2.46%
13	Total	<u>5,253,827</u>	<u>\$4,021,032.84</u>	<u>\$4,125,165.55</u>	<u>\$104,132.71</u>	<u>2.59%</u>

**Citizens Gas & Coke Utility
 High Load - Basic
 Bill Comparison with Gas Costs**

Line No.	Month	Therms	Revenues at Present Rates	Revenues at Proposed Rates	Difference \$	Difference %
	a	b	c	d	e (d-c)	f (e/c)
1	January	381,785	\$287,465.69	\$294,095.20	\$6,629.51	2.31%
2	February	428,428	315,501.03	322,708.92	7,207.89	2.28%
3	March	380,495	293,605.19	300,218.71	6,613.52	2.25%
4	April	336,470	271,383.73	277,451.34	6,067.61	2.24%
5	May	263,763	209,904.89	215,070.93	5,166.04	2.46%
6	June	250,913	202,848.45	207,855.16	5,006.71	2.47%
7	July	222,652	180,519.85	185,176.12	4,656.27	2.58%
8	August	200,431	164,939.83	169,320.56	4,380.73	2.66%
9	September	161,709	133,945.00	137,845.58	3,900.58	2.91%
10	October	181,140	130,802.81	134,944.33	4,141.52	3.17%
11	November	247,709	199,369.23	204,336.20	4,966.97	2.49%
12	December	259,116	196,069.20	201,177.62	5,108.42	2.61%
13	Total	3,314,607	\$2,586,354.90	\$2,650,200.67	\$63,845.77	2.47%

**Citizens Gas & Coke Utility
 High Load - Basic Optout
 Bill Comparison with Gas Costs**

Line No.	Month	Therms	Revenues at Present Rates	Revenues at Proposed Rates	Difference \$	Difference %
	a	b	c	d	e (d-c)	f (e/c)
1	January	930,618	\$681,852.82	\$697,454.95	\$15,602.13	2.29%
2	February	860,286	619,504.87	634,115.31	14,610.44	2.36%
3	March	868,197	653,126.28	667,848.26	14,721.98	2.25%
4	April	880,398	689,857.43	704,751.44	14,894.01	2.16%
5	May	734,557	563,822.19	576,659.85	12,837.66	2.28%
6	June	692,332	539,557.17	551,799.45	12,242.28	2.27%
7	July	623,826	485,753.48	497,029.82	11,276.34	2.32%
8	August	721,148	564,725.93	577,374.52	12,648.59	2.24%
9	September	735,518	570,942.42	583,793.63	12,851.21	2.25%
10	October	795,765	537,399.49	551,100.17	13,700.68	2.55%
11	November	850,678	656,539.03	671,013.99	14,474.96	2.20%
12	December	933,176	675,666.28	691,304.46	15,638.18	2.31%
13	Total	<u>9,626,496</u>	<u>\$7,238,747.39</u>	<u>\$7,404,245.85</u>	<u>\$165,498.46</u>	<u>2.29%</u>

**Citizens Gas & Coke Utility
Design of Supply Administration Rate**

<u>Line No.</u>	<u>Type a</u>	<u>Current Charge/Month b</u>	<u>Proposed Charge/Month c</u>
Monthly Supply Administration Costs			
Customer Type			
1	Basic Delivery Service Customer	\$180.00	\$180.00
2	Standard Supplier Groups	100.00	100.00
3	Supplier Pools	100.00	100.00
4	Per End -Use Customer Supply Administration Cos	5.00	5.00
5	Automated Meter Reading Charge	34.00	64.00

**Citizens Gas & Coke Utility
AMR Charges**

	Cost	Amortization	Phone Costs	Materials	Unit Maintenance		Price per battery	Software	Field Staff	Per meter charge
Average Monthly Expenses	\$ 975.00	\$ 16.25	\$3,435	\$ 25.00	Vehicle Cost	Batteries installed	\$ 16.95	Metretek Maint.	'AMR Technician time spent on AMR	\$ 64.00
					\$ 261.00	17		\$ 388.92	Salary 18.22	167

Total Units in the field	125
Meters in the field	150
Meters per unit	1.2
Annual Metretek Contract	\$ 4,667.00

GAS DELIVERY, GAS SUPPLY, AND ADMINISTRATIVE SERVICES

RATES, TERMS AND CONDITIONS

FOR GAS SERVICE WITHIN
MARION COUNTY, INDIANA

Issued By The

Board of Directors for Utilities
of the Department of Public Utilities,
as successor trustee of a public charitable trust,
Doing Business As
Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202

James A. Wade
Chairman and President
Board of Directors

Carey B. Lykins
President, and
Chief Executive Officer

TERMS AND CONDITIONS
I.U.R.C. CAUSE NO. 4276743463

EFFECTIVE: October 23, 2006

**CITIZENS GAS & COKE UTILITY
2020 N. MERIDIAN STREET
INDIANAPOLIS, INDIANA 46202**

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TERMS AND CONDITIONS

I.U.R.C. CAUSE NO. 4276743463

EFFECTIVE: October 23, 2006

**CITIZENS GAS & COKE UTILITY
2020 N. MERIDIAN STREET
INDIANAPOLIS, INDIANA 46202**

ORIGINAL PAGE NO. 2

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2020 N. MERIDIAN STREET
INDIANAPOLIS, INDIANA 46202**

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1. DEFINITIONS

Except where the context indicates a different meaning or intent, the following terms, when used in any Section of the Utility's Gas Delivery Service, Gas Supply Service, Administrative Services, Rates, and Terms and Conditions for Gas Service, shall have the meanings defined below:

1.0 3RD PARTY SUPPLIER

Any entity, other than the Utility, qualified under Section 1314 to provide gas supply services within the Utility's service area.

1.1 AGGREGATED ACCOUNT

A single Commercial or Industrial End-Use Customer at a single billing address receiving Gas Delivery Service through multiple Meters supplying multiple Premises, who has elected to combine its multiple Premises for balancing, banking, and bill summarization and presentment purposes. The Gas Delivery Service bill for consumption of each Meter is calculated separately, then consolidated for bill presentment purposes. To qualify as an Aggregated Account, the combined annual Gas consumption measured by the multiple Meters must be greater than 50,000 therms. All Meters must be read in the same meter reading district, or have Automated Meter Reading equipment installed.

1.2 APPLICANT

Any individual, partnership, association, firm, public or private corporation, limited liability company, government agency, institution or group thereof applying to receive, consume or use the Utility's Gas Supply, Gas Delivery or Administrative Services.

1.3 AUTOMATED METER READING

All hardware and equipment installed on an End-Use Customer's premises for the purpose of transmitting a daily meter reading to the Utility.

1.4 BANKING AND BALANCING

Services provided by the Utility as a part of Gas Delivery Service, that, with respect to Balancing, accommodate the usage swings of End-Use Customers and, with respect to Banking, provide the ability to store gas for later use.

1.5 BANKING INJECTION NOMINATION

The volumes designated by or on behalf of an End-Use Customer to be delivered to the Utility's City Gate for the purpose of increasing volumes of Gas in the End-Use Customer's storage bank for the End-Use Customer's later use.

1.6 BANKING WITHDRAWAL NOMINATION

The volumes designated by or on behalf of an End-Use Customer for the purpose of decreasing the volume of Gas in the End-Use Customer's storage bank for the End-Use Customer's current use.

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- 1.7 BANKING VOLUME INJECTION QUANTITY**
1/150th of Customer Banking Volumes available to nominate for daily injection into the Utility's underground storage fields by or on behalf of an End-Use Customer.
- 1.8 BANKING VOLUME WITHDRAWAL QUANTITY**
Means 1/75th of the Customer Banking Volumes available to nominate for daily withdrawal from the Utility's underground storage fields by or on behalf of an End-Use Customer.
- 1.9 BASIC DELIVERY SERVICE OPTION**
An option for General Heating, General Non-Heating, and Large Volume and High Load Gas Delivery Service End-Use Customers, which provides for a lower level of balancing service in return for a lower delivery charge. Choosing the Basic Delivery Option requires the End-Use Customer to have Automated Meter Reading devices installed which will provide a daily meter reading to the Utility. The Utility will make available electronically daily meter reads to the End-Use Customer, and if authorized, its 3rd Party Supplier.
- 1.10 BASIC USAGE IMBALANCE**
The difference between Daily Gas Supply Deliveries and the daily volume of Gas consumed by the End-Use Customer, calculated for a daily period.
- 1.11 CITIZENS ENERGY SELECT**
The program offered by the Utility that provides End-Use Customers with the option of choosing a 3rd Party Supplier for their Gas Supply Service.
- 1.12 CITY GATE**
The delivery/receipt point between intra and interstate pipelines supplying Gas to the Utility's gas distribution system.
- 1.13 COMMERCIAL CUSTOMER**
End-Use Customers primarily engaged in wholesale or retail trade, service (including five or more households served by a single meter), and any End-Use Customer not directly covered by another service classification.
- 1.14 COMPANY USE GAS**
Gas used by the Utility including compressor facilities fuel, natural gas vehicles, or liquefied natural gas turbine fuel used by the Utility.
- 1.15 CONSOLIDATED ACCOUNT**
A single Commercial or Industrial End-Use Customer receiving Gas Delivery Services through multiple Meters supplying a single Premise. All Gas consumption measured by multiple Meters is combined and billed through a single rate schedule. Only available to Large Volume and High Load Customers. Unless otherwise specified by the Utility, each meter will receive a separate facility charge.
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1.16 CRITICAL PERIOD

A period, declared at the discretion of the Utility, during which time unusual conditions jeopardize normal operation of the Utility's system.

1.17 CURTAILMENT

A temporary reduction in Gas usage directed by the Utility for operating reasons, for protection of human need uses.

1.18 CUSTOMER BANKING VOLUMES

A volume of gas effectively representing capacity in the Utility's underground storage fields that an End-Use Customer may be conditionally granted annually. It does not represent any control or ownership of the Utility's storage fields but only an End-Use Customer's conditional use of them. 3rd Party Suppliers, or Customers acting as their own Supply Agent, are responsible for providing daily Banking Injection Nominations and Banking Withdrawal Nominations to the Utility pursuant to its Gas Delivery Service rate schedules, consistent with a granted Customer Banking Volume.

1.19 DAILY GAS SUPPLY DELIVERIES

The gas supply volumes submitted to the Utility and scheduled by a pipeline to be delivered to the Utility's City Gate by or on behalf of an End-Use Customer, plus Banking Volume quantities scheduled by or on behalf of an End-Use Customer.

1.20 DAILY GAS SUPPLY NOMINATIONS

The gas supply volumes confirmed by a pipeline to be delivered to the Utility's City Gate by or on behalf of an End-Use Customer, plus Banking Volume quantities nominated by or on behalf of an End-Use Customer.

1.21 DAILY USAGE IMBALANCES

The difference between Daily Gas Supply Deliveries and the daily volume of Gas consumed by the End-Use Customer, calculated on a daily basis.

1.22 DELIVERY CHARGE

A rate per unit of Gas consumed by the End-Use Customer, designed to recover fixed and variable costs incurred by the Utility to provide Gas Delivery Service to the End-Use Customer's Meter, not otherwise recovered through the Facilities Charge.

1.23 DELIVERY IMBALANCES

The difference between Daily Gas Supply Nominations and Daily Gas Supply Deliveries on behalf of an End-Use Customer in a Supplier Group, or an End-Use Customer acting as its own Supply Agent. Also can mean, for an End-Use Customer in a Supplier Pool, the difference between Forecasted Daily Requirements and Daily Gas Supply Deliveries.

1.24 ECONOMIC OPERATIONAL FLOW ORDER

A directive issued by the Utility to a 3rd Party Supplier, or to an End-Use Customer acting as its own Supply Agent, to closely balance Daily Gas Supply Deliveries with the volume of Gas consumed by the End-Use Customer when, in its sole discretion, it determines that such a directive is necessary to protect its ability to provide adequate and reliable Gas Supply Service at reasonable costs because there is a significant and substantial price difference between the average of first of the month index prices of the pipelines serving its system, adjusted for appropriate fuel, transportation, and basis, and the average of the daily index prices of the pipelines serving its system, adjusted for appropriate fuel, transportation, and basis.

1.25 ELECTION PERIOD

A one-month period of time during which End-Use Customers electing Basic Delivery Service may opt-out of Banking Service, or request Incremental Banking Volumes.

1.26 END-USE CUSTOMER

Any individual partnership, association, firm, public or private organization, limited liability company, government agency, institution or group thereof receiving Gas Delivery Services and/or Gas Supply Services. The term End-Use Customer shall not include 3rd Party Suppliers that may be Customers of the Utility for Administrative Services.

1.27 FACILITIES CHARGE

A flat rate per month designed to recover a portion of the fixed costs incurred by the Utility to provide Gas Delivery Service to the End-Use Customer's Meter.

1.28 FORECASTED DAILY REQUIREMENTS

Daily projections of the quantity of Gas to be consumed the following day by End-Use Customers in Supplier Pools. Forecasted Daily Requirements will be provided by the Utility to 3rd Party Suppliers no later than 24 hours in advance of the Gas Day.

1.29 GAS

Any vaporized fuel transported on the Utility's gas distribution system. The term shall include, but not be limited to, natural gas, synthetic gas, liquefied natural gas, propane or any mixture thereof.

1.30 GAS DAY

The 24-hour period from 9 a.m. to 9 a.m. Central Clock Time (Houston).

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- 1.31 GAS DELIVERY SERVICE**
The transportation of Gas by the Utility from the City Gate to an End-Use Customer's Meter. Gas Delivery Service includes Banking and Balancing, except as provided in the Basic Delivery Option of the Delivery Service tariffs.
- 1.32 GAS DELIVERY SERVICE AGREEMENT**
The required agreement between the Utility and an End-Use Customer with usage greater than 50,000 Therms annually.
- 1.33 GAS MANAGEMENT SYSTEM OR GMS**
All computer hardware and software required to administer customer-specific gas supply transactions.
- 1.34 GAS SERVICE LINE**
A line used to transport gas from Utility mains to End-Use Customer Premises.
- 1.35 GAS SUPPLY CHARGE**
A rate per unit of Gas consumed by the End-Use Customer, designed to recover the cost of Gas and related off-system services, including pipeline transportation and balancing services, incurred by the Utility to provide Gas Supply Service to the End-Use Customer's Meter.
- 1.36 GAS SUPPLY SERVICE**
The sale of Gas and related off-system services, including pipeline transportation and balancing services, by the Utility to an End-Use Customer.
- 1.37 HUMAN NEEDS CUSTOMER**
A Residential Customer, a Commercial Customer of a residential nature, or any End-Use Customer whose facilities are of a kind where the element of human welfare is the predominant factor or whose facilities are needed to protect or preserve the public health, safety and welfare. Such facilities include, but shall not be limited to, houses, apartment buildings, correctional institutions, hospitals, primary and secondary schools, nursing homes, certain charitable institutions and day care facilities.
- 1.38 INCREMENTAL BANKING VOLUMES**
Banking Volumes made available by End-Use Customers electing Basic Delivery Service, who have elected to opt-out of Banking Service.
- 1.39 INDUSTRIAL CUSTOMER**
An End-Use Customer engaged in a process that creates or changes raw or unfinished material into another form or product.

1.40 I.U.R.C. RULES

The Indiana Utility Regulatory Commission Rules and Regulations of Service for Gas Utilities operating within the State of Indiana, as promulgated in Cause No. 34613, approved September 13, 1976, effective April 12, 1977, as may be amended from time to time.

1.41 MASTER METER

A Meter installed upstream from a building service or entrance or building regulator in such a manner as to measure the total quantity of Gas used in two (2) or more buildings in a single complex.

1.42 MAXIMUM DAILY QUANTITY

The total connected gas load times 24 hours.

1.43 METER

A device for measuring the quantity of Gas used. Two (2) or more meters connected in parallel, with the total quantity of Gas used being the sum of the quantities measured by the individual Meters, shall be considered a single Meter, if installed at the directive of the Utility.

1.44 MONTH

The period of time between any two consecutive meter reading dates which shall be scheduled as nearly as practicable every thirty (30) days. It does not necessarily mean the Meter will actually be read according to that schedule.

1.45 MONTHLY CASH OUT

A month-end calculation of charges and credits pertaining to Usage Balancing Service, and Basic Usage Balancing Service for 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent.

1.46 NON-ECONOMIC OPERATIONAL FLOW ORDER

A directive issued by the Utility, pertaining to a Critical Period, to a 3rd Party Supplier, or to an End-Use Customer acting as its own Supply Agent, to deliver for End-Use Customer use a specific volume of Gas to a specific point of receipt. Non-Economic Operational Flow Orders shall be issued by the Utility at any time a material and significant threat to the operational integrity of the Utility's system occurs, or is about to occur.

1.47 NON-GAS COST REVENUE

Revenue received by the Utility from an End-Use Customer, excluding gas costs such as commodity gas costs and related off-system services, including pipeline transportation and balancing services, and other gas costs recovered through the Gas Supply Charge.

1.487 OPT-OUT BANKING VOLUME

The Customer Banking Volumes of an eligible End-Use Customer, who has elected to opt-out of Banking Service.

1.498 OPT-OUT USAGE

The annual load, measured from the most recently available October 1 to September 30 period, of an End-Use Customer who has elected to opt-out of Banking Service.

1.5049 PREMISE

One contiguous piece of property owned by a single End-Use Customer, which is not intersected by a public right-of-way or thoroughfare.

1.510 RESIDENTIAL CUSTOMER

An End-Use Customer receiving Gas Delivery Services and/or Gas Supply Services to a single family dwelling or building, an individual flat or apartment, or to not over four households served by a single Meter in a multiple family dwelling or portion thereof. A Residential Customer also includes End-Use Customers receiving Gas Supply Services and/or Gas Delivery Services to premises used regularly for professional or business purposes when the residential use is half or more of the total Gas volume.

1.524 SINGLE ACCOUNT

A single Commercial or Industrial End-Use Customer receiving Gas Delivery Services through a single Meter supplying one Premise.

1.532 STANDARD DELIVERY SERVICE

The default delivery service provided any End-Use Customer which has not chosen the Basic Delivery Service option.

1.543 STORAGE WACOG

The total weighted average cost of Gas, including demand costs, stored in the Utility's underground storage fields at any point in time.

1.554 SUPPLIER APPLICANT

Any individual, partnership, association, firm, public or private corporation, limited liability company, government agency, institution or group thereof applying to provide gas supply services to End-Use Customers within the Utility's service area.

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1.565 SUPPLIER GROUP

End-Use Customers having individual annual usage at a single meter in excess of 50,000 therms who are provided Gas Supply services by the same 3rd Party Supplier. Supplier Groups are entirely composed of either End-Use Customers choosing the Basic Delivery Service Option, or End-Use Customers in a single meter reading district. End-Use Customers in each Supplier Group will have Usage Imbalances netted on a daily and/or monthly basis, for the purposes of calculating a Usage Balancing Monthly Cash-Out, and/or a Basic Usage Balancing Monthly Cash-Out, as defined in the Administrative Service tariffs.

1.576 SUPPLIER POOL

End-Use Customers of a 3rd Party Supplier each with annual usage at a single meter of less than 50,000 therms. End-Use Customers in Supplier Pools will have Forecasted Daily Requirements of Gas usage provided to their 3rd Party Supplier 24 hours in advance of the Gas Day.

1.587 SUPPLY AGENT

A Single Account, Consolidated Account or Aggregated Account End-Use Customer who contracts, purchases and manages delivery of its own gas supply, taking on the duties and responsibilities of a 3rd Party Supplier. Only End-Use Customers who have elected the Basic Delivery Service Option are eligible to act as their own Supply Agent.

1.598 THERM

100,000 British Thermal Units (BTU). For billing purposes, the consumption of Gas by End-Use Customers shall be measured in Therms.

1.6059 USAGE IMBALANCES

The difference between accumulated Daily Gas Supply Deliveries and the monthly volume of Gas consumed by the End-Use Customer, calculated monthly.

1.610 UTILITY

The Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, successor trustee of a public charitable trust, doing business as Citizens Gas & Coke Utility, 2020 North Meridian Street, Indianapolis, Indiana 46202.

1.624 WACOG

Except as otherwise provided in any tariff, the weighted average cost of Gas per Therm purchased by the Utility and delivered to the Utility's City Gate, including demand costs.

1.632 YARD LINE

The Gas piping from the outlet of a Master Meter assembly to the outlet connection of a building regulator or service entrance that is installed, owned, and maintained by the Utility.

2. APPLICATION OF TARIFF

2.1 FILING AND PUBLICATION

- 2.11** A copy of all Gas Rates, and General Terms and Conditions under which Gas Delivery Services, Gas Supply Services, and Administrative Services will be supplied is on file with the Indiana Utility Regulatory Commission and is posted or filed in each office of the Utility for the convenience of the public.
- 2.12** These Utility Rules are intended to and do supersede and cancel all former rules and regulations now on file with respect to the matters included herein.
- 2.13** These terms and conditions, when approved by the Indiana Utility Regulatory Commission, shall apply to and govern Gas Delivery Services, Gas Supply Services, and Administrative Services provided by the Utility within Marion County, Indiana.
- 2.14** The failure of the Utility to enforce any of the Gas Rates and Terms and Conditions under which Gas Delivery Services, Gas Supply Services, and Administrative Services are supplied shall not be deemed a waiver of its rights to do so.

2.2 WRITTEN APPLICATION OR CONTRACT

- 2.21** A written application and/or contract, properly executed in a form acceptable to the Utility, may be required from the End-Use Customer or 3rd Party Supplier before the Utility will supply Gas Delivery Services, Gas Supply Services, or Administrative Services, or as a condition for the continued supply of Gas Delivery Services, Gas Supply Services, or Administrative Services, provided, however, that the Utility shall have the right to reject an application for valid reasons.
- 2.22** Where two or more parties join in one application for Gas Delivery and/or Gas Supply Services or Administrative Services, such parties shall be jointly and severally liable thereunder, and only one bill shall be rendered for service supplied in accordance therewith.
- 2.23** The End-Use Customer shall give the Utility written notice in advance of any material change either in the demand for Gas Delivery and/or Gas Supply Services or the character of the gas appliances or apparatus installed at the End-Use Customer's service address delivered Gas by the Utility.

- 2.24 Where more than one rate is available for the class of service requested, the End-Use Customer shall designate the desired rate. Except as limited by the terms of any Gas Delivery Services contract, the End-Use Customer may change to another applicable Gas Delivery Service rate at any time thereafter by giving written notice to the Utility, provided each successive change shall continue for not less than a twelve-month period.
- 2.25 The Utility does not guarantee the End-Use Customer will be served under the most favorable rate at all times, and no refund will be made representing the difference in charges between the rate under which service actually has been rendered and another rate applicable to the same class of service.
- 2.26 The Utility will, at the request of the End-Use Customer, assist the End-Use Customer in the determination of the rates under which the End-Use Customer desires to be served. However, the End-Use Customer is responsible for the accuracy of comparisons and any decisions regarding rates.

3. DEPOSITS

- 3.1 Pursuant to the I.U.R.C. Rules, the Utility may require a Residential Customer or Applicant for Gas Delivery and/or Gas Supply Services as a Residential Customer to pay a cash deposit as a condition of receiving or continuing to receive Gas Delivery and/or Gas Supply Services.
- 3.2 The Utility may require Non-Residential End-Use Customers or Applicants for Gas Delivery and/or Gas Supply Services that are not Residential Customers to make a cash deposit at any time to assure payment of bills, and as a condition of receiving or continuing to receive Gas Delivery and/or Gas Supply Services. Such deposit shall not be less than forty dollars (\$40.00), nor more than the amount of the bill for any three (3) consecutive months known or estimated to have the highest gas consumption. The Utility shall determine the appropriate deposit.
- 3.3 Interest on any deposit held by the Utility on February 2, 2006 earned an interest rate of six percent (6%) per annum from the date of receipt by the Utility through February 2, 2006. Effective February 3, 2006, any deposit held for more than thirty (30) days will earn interest calculated monthly at the authorized rate of interest for the current month from the date the deposit is paid in full to the Utility. The rate of interest will be established by the commission in a general administrative order for each calendar year.
- 3.4 Deposits from Residential Customers will be refunded after the Residential Customer has established an acceptable payment record in accordance with the I.U.R.C. Rules. The deposit of any Non-Residential End-Use Customer or the deposit of a Residential Customer who fails to establish an acceptable payment record may be retained by the Utility until Gas Delivery and/or Gas Supply Services are discontinued.

- 3.5 Upon discontinuance of Gas Delivery and/or Gas Supply Services, the deposit and earned interest, if any, will be applied to the payment of any outstanding bills. The unapplied portion, if any, of the deposit and earned interest will be refunded to the End-Use Customer. The End-Use Customer will be billed for any balance due the Utility. The balance of any deposit and interest, after being applied to any outstanding bills which cannot be returned to the End-Use Customer after termination of service, shall be reported and disposed of as required by the Uniform Disposition of Unclaimed Property Act (Indiana Code 32-9-1-1, et seq).
- 3.6 ~~When a gas main extension is required to serve any End-Use Customer(s) or Applicant(s) for Gas Delivery and/or Gas Supply Services, and such extension is not economically feasible, the Utility may require a deposit and/or contract, and make refunds thereafter, all in accordance with the I.U.R.C. Rules.~~
- 3.6 The following terms apply to the Utility's extension of facilities to service a prospective End-Use Customer or group of End-Use Customers.
- 3.61 Upon request for Gas Supply Service by a prospective End-Use Customer or a group of prospective End-Use Customers located in the same area, the Utility will extend without charge its distribution main to provide the service, provided that:
- a. the Utility's estimate of its Non-Gas Cost Revenue from such Gas Supply Services provided to the prospective End-Use Customer(s) for a period of five and one-half (5.5) years is equivalent to or in excess of the Utility's estimate of the cost of providing such facilities, and;
 - b. the prospective patronage or demand is, in the Utility's sole judgment of such permanency as to warrant the capital expenditure involved.
- 3.62 If the cost of the distribution main extension necessary to provide the Gas Supply Service requested exceeds the "without-charge limit" described in the paragraph above, the Utility may require either a deposit or adequate provision of the payment of an extension deposit equal to the cost of the distribution main extension in excess of the without-charge limit.
- 3.63 Any extension deposit accepted by the Utility shall be subject to refund until six years after the completion of such extension. For each End-Use Customer connected to the extension within that six year period, the Utility shall refund an amount by which five and one-half (5.5) times the estimated annual Non-Gas Cost Revenue for gas appliances actually installed exceeds the estimated cost of connecting such End-Use Customer. At no time shall the aggregate refund made to any depositor exceed the amount of extension deposit received from such depositor.
- 3.64 The following extension requests shall be submitted to the Commission for investigation and determination as to the convenience and necessity of such extension, and if so required, the conditions under which they shall be made: (a) instances where, in the Utility's sole judgment, the extension is of such length and the prospective Non-Gas Cost Revenue which may be developed by it is so meager as to make it doubtful that the Non-Gas Cost Revenue from the extension would ever pay a fair return on the investment involved. (b) requests for an extension to a real estate development with slight or

irregular service and requiring extensive equipment.

3.65 The Utility shall not be required to make a distribution main extension under Section 3.61 unless the End-Use Customer(s) to be initially served by such extension have entered into an agreement with the Utility setting forth the obligations and commitments of the parties, which may require the End-Use Customer(s) to provide a satisfactory guaranty to the Utility of the performance of the End-Use Customer's obligations.

4. BILLING AND PAYMENT OF BILLS

- 4.1 Subject to Section ~~13.51~~~~14.51~~, The Utility will issue bills to End-Use Customers on a monthly basis for both Gas Delivery and Gas Supply Services. Bills are payable to the office of the Utility or to an authorized agent within seventeen (17) days from the date mailed. When the seventeenth (17th) day falls on Sunday or a legal holiday, the seventeen-day period shall be considered to end with the next business day.
- 4.2 The Utility shall provide various billing plans whereby alternative payment options are available.
- 4.21 The Utility shall provide a Budget Plan for payment of bills by the End-Use Customer whereby the annual bill as estimated by the Utility is divided into even monthly payments. The amount actually paid by the End-Use Customer shall be balanced with the amount of gas usage actually billed to the End-Use Customer and any difference shall be paid (or credited).
- 4.22 The Automatic Bank Deduction Plan shall be a payment plan whereby the billed amount is deducted each month from the End-Use Customer's checking account by the End-Use Customer's authorized financial institution. The Utility shall continue to provide to the End-Use Customer a monthly bill.
- 4.3 When an error is discovered in any billing or when billing is omitted, the Utility may adjust such error to the known date of error, but in any event within not more than twelve (12) months from the date of such billing. Whenever it is discovered a Meter is not recording within the limits of accuracy as prescribed by the I.U.R.C. Rules, an adjustment of the individual billings shall be made for a period of one-half of the time elapsed since the previous Meter test, or one year, whichever period is shorter.

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- 4.4 When for good cause a Meter is not read on a normal interval, an estimated meter reading shall be used and so identified on the bill. An estimated meter reading for an End-Use Customer's bill will be determined by adding the End-Use Customer's calculated Gas consumption during the billing period to the meter reading at the beginning of the billing period.
- 4.5 If payment for a bill from an End-Use Customer is not received by the Utility or its agent within seventeen (17) days from the date the bill is mailed, the bill shall be considered delinquent.
- 4.51 The Utility may add a late payment charge to an End-Use Customer's delinquent bill; such charge will be ten percent (10%) on the first three dollars of Gas Supply and Gas Delivery Service charges (\$3.00) and three percent (3%) on the amount in excess of three dollars (\$3.00).
- 4.52 A charge may be made for making a call to the End-Use Customer's premises to collect a delinquent account; such charge to the End-Use Customer shall be fourteen dollars (\$14.00).
- 4.53 A charge may be made for handling a check from an End-Use Customer returned unpaid by any financial institution; such charge shall be eleven dollars (\$11.00).
- 4.6 The Utility may elect, with the consent of the End-Use Customer, to replace the several Meters in the contiguous complex of an End-Use Customer with a Master Meter. Such Master Meter for billing purposes shall be computed on the basis of a single End-Use Customer.
- 4.7 Upon detecting a device or scheme which has been utilized to avoid or attempted to avoid full payment for Gas Delivery and/or Gas Supply Services, the Utility may, after estimating the volume of Gas Delivery and/or Gas Supply Services so used:
- 4.71 Immediately disconnect such Gas Delivery and/or Gas Supply Services without notice pursuant to Rule 8.3.
- 4.72 Bill and demand immediate payment from the person benefiting from such device or scheme the actual cost of Gas used, corrections and repairs, or two hundred dollars (\$200.00), whichever is more.
- 4.73 Bill any and all damages as provided by Indiana Code 34-24-3-1 et seq. based upon the Utility's reasonable and customary estimate thereof.

5. METERING AND RESALE

- 5.1 Except in the case of a Consolidated Account, if the Utility owns and installs more than one Meter on the End-Use Customer's premises, except for the convenience of the Utility, the rate for service furnished through each metered supply shall be determined as if such service were rendered to a separate End-Use Customer.
- 5.2 The Gas supplied to an End-Use Customer incident to any Gas Delivery and/or Gas Supply Service shall not be remetered or submetered for resale in whole or in part.
- 5.21 The sale for resale provision under any of the Gas Delivery and/or Gas Supply Service rates of the Utility specifically does not apply when the resale is for the limited purpose of providing compressed natural Gas to entities outside the jurisdiction of the Indiana Utility Regulatory Commission for use in appropriately equipped natural gas powered vehicles.
- 5.3 The Meter is the property of the Utility and is periodically tested. The Meter may be read, removed, changed, or replaced at any reasonable time at the discretion of the Utility.
- 5.4 Unless otherwise agreed to by the End-Use Customer and the Utility, all Gas sold shall be metered at a normal gauge pressure of six (6) inches of water, but shall not vary more than fifty percent (50%) above or below said normal pressure. In addition, the maximum pressure on any day shall never be greater than twice the normal minimum pressure that day. When Gas is supplied at a different pressure, the Gas consumption as indicated by the Meter shall be corrected to the equivalent quantity of Gas measured at six (6) inches of water.
- 5.5 Gas sold within the Utility's system shall have a monthly average total heating value of approximately 1,000 BTU per cubic foot of Gas saturated with water vapor.
- 5.51 The billing unit, for the purpose of billing Gas consumption, shall be one Therm on the measurement basis specified in Rule 5.52 below.
- 5.52 The unit of volume for the purpose of measurement at the End-Use Customer's Meter shall be one (1) cubic foot of Gas at a temperature of sixty (60) degrees Fahrenheit and an absolute pressure of 14.54 pounds per square inch.
- 5.6 The End-Use Customer shall provide a suitable space satisfactory to the Utility for the Meters, regulators, and other equipment necessary to provide Gas Delivery and/or Gas Supply Services. Said space shall be readily accessible to employees of the Utility, and shall be kept free of foreign materials and maintained in a sanitary condition by the End-Use Customer.

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- 5.7 The Meter, meter connections, and service piping from the main to the Meter, and any extension thereof including Yard Lines installed at Utility cost, shall belong to the Utility and will be installed, repaired, adjusted, or removed only by employees of the Utility or its agent regardless of whether any charges for service piping have been paid by the End-Use Customer.
- 5.8 Certain End-Use Customers may elect or may be required to have installed, at the End-Use Customer's expense, Automated Meter Reading equipment, consisting of hardware attached to the End-Use Customer's Meter, that transmits regularly scheduled meter readings to Utility's AMR system. AMR data will be made available to the End-Use Customer electronically as well as to its 3rd Party Supplier (with the End-Use Customer's permission). Installation charges and monthly fees will be billed to End-Use Customers through Information Service, under Gas Rate No. A7.

6. SERVICE, EQUIPMENT, AND LIABILITY

- 6.1 Gas Delivery and/or Gas Supply Services will be rendered to the End-Use Customer from the Utility's nearest main (or from that main from which the End-Use Customer's premises are most accessible) of sufficient capacity to furnish adequate service.
- 6.2 Gas Service Lines will be installed and maintained by the Utility from the main to the Meter, except as otherwise provided for by written agreement between the End-Use Customer and the Utility. The Utility may require a long-term contract and cash deposit as security for construction cost when unusual construction or equipment cost is necessary to furnish Gas Delivery and/or Gas Supply Services.
- 6.3 Any change of location of Gas Service Lines or Meters at the End-Use Customer's request shall be done only with the consent of the Utility. The Utility or its agent will do the work at the expense of the End-Use Customer.
- 6.4 All of the End-Use Customer's piping and equipment and/or accessories thereto necessary to utilize Gas Delivery and/or Gas Supply Services furnished by the Utility shall be installed and belong to the End-Use Customer, and must be maintained at the End-Use Customer's expense. The End-Use Customer shall bring his piping to the Meter outlet for connection to the Utility's piping in a location satisfactory to the Utility. The Utility shall not be liable for any loss, injury, or damage, including death, resulting from the End-Use Customer's use of such equipment or piping, or occasioned by the Gas Delivery and/or Gas Supply Services furnished by the Utility beyond the Meter outlet. All of the End-Use Customer's piping, equipment, and appliance accessories so installed and maintained shall be in accordance with all applicable codes, rules, and regulations of the Utility and any applicable regulatory entities with jurisdiction.

- 6.5** The Utility reserves the right to inspect the End-Use Customer's installation, but such inspection, or failure to make inspection, or the fact that the Utility may connect to such installation at the delivery point, shall not make the Utility liable for any loss, injury, or damage, including death, which may be occasioned by the End-Use Customer's use of such equipment or piping of the Utility's service unless due to the sole negligence of the Utility. Failure to comply with the Utility's reasonable request to make an inspection shall be grounds for the Utility to discontinue service with notice to the End-Use Customer pursuant to rule 8.4.
- 6.6** The End-Use Customer agrees to make available without cost to the Utility, an easement for access to End-Use Customer's dwelling or other structure in the event the Gas Service Lines must pass through the property of third parties. In the event the End-Use Customer is unable or unwilling to furnish such easement upon request, the Utility shall be relieved of the responsibility of installing the Gas Service Lines or of furnishing Gas to the End-Use Customer.
- 6.7** The Utility reserves the right, subject to regulatory authority having jurisdiction, to limit, restrict, or refuse service which will result in unreasonable demands on its distribution system, production capability, contractual requirements of supply, transportation and storage from other companies, or which will jeopardize service to existing End-Use Customers.

7. UTILITY AND END-USE CUSTOMER OBLIGATIONS

7.1 UTILITY'S OBLIGATIONS

- 7.11** The Utility will endeavor to furnish continuous Gas Delivery and/or Gas Supply Services to the End-Use Customer, but does not guarantee uninterrupted service, and shall not be liable for loss, injury, or damage resulting from any interruptions, failures, or deficiencies in service, or any other cause occasioned by reason of accidents, emergencies, strikes, acts of God, legal process or procedure, federal, state, or municipal action or interference, extraordinary repair, or for any cause whatsoever not within the reasonable control of the Utility.
- 7.12** Whenever Gas Delivery and/or Gas Supply Services are interrupted or limited by the Utility, in an emergency due to Curtailment or in normal operations, such interruption or limitation shall not constitute a breach of contract nor shall it invalidate any of the covenants of the contract.

7.2 END-USE CUSTOMER'S OBLIGATIONS

- 7.21** The End-Use Customer shall install and maintain all piping, appliances, and equipment which is not the property of the Utility, as described in Rule 5.7 of these rules, in the condition required by applicable codes adopted by the governmental authorities having

jurisdiction and in a manner approved by the Utility. The End-Use Customer shall use such piping, appliances, and equipment so as not to disturb the Utility's service to other End-Use Customers.

- 7.22 In the event of loss damage to the property of the Utility through misuse by, or the negligence of, the End-Use Customer or agents and employees of the same, the End-Use Customer shall reimburse the Utility for the cost of the necessary repairs or replacement thereof.
- 7.23 The Utility's employee or agent shall have access to the End-Use Customer's or other users Premise at all reasonable hours, and at any time in the event of an emergency, to inspect, read, repair, or remove its Meters and other property, and to inspect the appliances and piping installed for connection or connected to the Gas Service Line on the End-Use Customer's Premise.
- 7.24 No person other than an employee or agent of the Utility shall be permitted to reestablish the flow of Gas to an End-Use Customer's Gas Service Line(s) after a shut-off by the Utility or other governmental authorities having jurisdiction.
- 7.25 The End-Use Customer shall hold the Utility harmless for any loss, cost, damage, or expense to any party, resulting from the use or presence of Gas or gas appliances upon the End-Use Customer's Premises unless due to the sole negligence of the Utility.
- 7.26 The benefits of and the responsibility for Gas Delivery and/or Gas Supply Services shall commence when the Utility initiates service pursuant to an application for the same, and shall be binding upon the End-Use Customer, the End-Use Customer's heirs, personal representatives, or successors in interest until such service is discontinued pursuant to Rule 8; provided, however, discontinuance of Gas Delivery and/or Gas Supply Services shall not relieve the obligation to make payment for service so rendered by the Utility, nor shall discontinuance of Gas Delivery and/or Gas Supply Services relieve the obligation to provide the Utility access to its Meters or other property.
- 7.27 Upon written request by the Utility, the End-Use Customer will correct any unsafe or unsanitary conditions affecting Gas Service Lines, meter reading, or inspection of such Gas Service Lines on the End-Use Customer's Premises including but not limited to the presence of vicious dogs or other animals, hazardous steps or other access to Utility equipment, the accumulation of debris, refuse, or filth on or adjacent to Utility equipment. If such condition is not corrected within thirty (30) days of such written request, the Utility may initiate discontinuance of service pursuant to Rule 8.3.

8. DISCONTINUANCE OF SERVICE

- 8.1 An End-Use Customer shall notify the Utility at least three (3) working days prior to the date such End-Use Customer desires its Gas Service Line to be disconnected, and the Utility shall have three (3) working days thereafter to make such disconnection. The End-Use Customer will be responsible for the payment of all bills for Gas Delivery and/or Gas Supply Services used while the account is in the End-Use Customer's name prior to expiration of such three (3) working day period.
- 8.2 When an End-Use Customer requests disconnection at a Gas Service Line location, the Utility may, at its option, discontinue service by either physically turning off the Gas Service Line, or when requested by the new applicant at the same service location, by obtaining a meter reading and leaving the Gas Service Line on in the name of the new Applicant.
- 8.3 The Utility may discontinue Gas Delivery and/or Gas Supply Services to the End-Use Customer without request by the End-Use Customer and without notice, and may remove any of its property from the End-Use Customer's premises without legal process for any one of the following reasons:
- 8.31 Where a condition dangerous or hazardous to life, physical safety, or property exists.
- 8.32 Upon order by any Court, the Commission, or other duly authorized public authority, or upon written instruction by a law enforcement agency acting within its jurisdiction pursuant to Indiana Code 35-45-5-4(c).
- 8.33 A fraudulent or unauthorized use of Gas is detected and the Utility has reasonable grounds to believe the affected End-Use Customer is responsible for such tampering.
- 8.34 Where the Utility's equipment has been tampered with and the Utility has reasonable grounds to believe that the affected End-Use Customer is responsible for such tampering.
- 8.35 Detection of a device or scheme which has been utilized to avoid or attempted to avoid full payment for Utility Gas Delivery and/or Gas Supply Services as defined by Indiana Code 35-43-5-6.

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- 8.4 The Utility may discontinue Gas Delivery and/or Gas Supply Services to the End-Use Customer after seven (7) days written notice; however, in the case of a Residential Customer, and subject to Rule 8.5, said written notice shall be fourteen (14) days, which notice shall be deemed received by the End-Use Customer on the day after mailing by the Utility, in accordance with the I.U.R.C. Rules for any one of the following reasons:
- 8.41 A violation of the requirements of its Gas Delivery and/or Gas Supply Services or any failure to comply with applicable codes, rules, or regulations regarding Gas Delivery and/or Gas Supply Services.
 - 8.42 Nonpayment of a delinquent bill.
 - 8.43 Refusal or failure when requested to make a cash deposit or an increased cash deposit, to assure payment of bills.
 - 8.44 When the Utility has reasonable evidence that an End-Use Customer who is indebted to the Utility for Gas Delivery and/or Gas Supply Services at his present or other location is receiving Gas Delivery and/or Gas Supply Services under the same or a different name. A Residential End-Use Customer shall not be disconnected for indebtedness incurred for Gas Delivery and/or Gas Supply Services at a different location if such bill has remained unpaid for less than forty-five (45) days.
- 8.5 Except as provided in Section 8.3, the Utility shall not disconnect residential Gas Service Line, without an End-Use Customer request, from December 1 through March 15 if:
- 8.51 The Residential Customer is either receiving or is eligible for and has applied for assistance under the Home Energy Assistance program pursuant to Indiana Code 4-27-5 or such program, if any, that may replace it.
 - 8.52 The Residential Customer has completed an application for assistance pending at the Department of Aging and Community Service or its designee and has provided the Utility with proof of said application, or the Utility has been notified in writing by the Department of Aging and Community Service or its authorized representatives.
- 8.6 Residential Customer may request the Utility notify a predesignated third party of a Gas Service Line disconnection notice issued to the Residential Customer. Such request shall be made in writing in the form of a Duplicate Notice Protection Plan Enrollment Application. When requested, the Utility shall notify the predesignated third party, by mail, of the pending service disconnection at

the time the Utility renders the disconnection notice to the Residential Customer. The Utility may restrict the use of the Duplicate Notice Protection Plan to its Residential Customers who are elderly, handicapped, ill, or otherwise unable to act upon a service disconnection notice, as determined by the Utility.

- 8.7 Discontinuance of Gas Delivery and/or Gas Supply Services, as provided for in Sections 8.1, 8.2, 8.3, and 8.4 shall not relieve the Residential Customer from liability of unpaid bills, or from the responsibility to provide access to the Utility's Meters or other property, and the Utility shall have the right to enforce any contract notwithstanding such discontinuance.
- 8.8 If the supply of available Gas diminishes to the point where continuous service to other End-Use Customers is threatened by service to Commercial or Industrial Customers, the Utility may discontinue or limit Gas Delivery and/or Gas Supply Services to any such Commercial or Industrial Customer in accordance with the provisions of Sections 10, 11, or 12 irrespective of any contracts in force.

9. RECONNECTION OF SERVICE

- 9.1 Before restoration of any Gas Service Line discontinued for any of the reasons set forth in the Gas Delivery and/or Gas Supply Services rate schedules, the following applicable conditions shall be complied with, and a charge may be made sufficient to reimburse the Utility for its costs of disconnecting and reconnecting the Gas Service Line; such charge shall be forty-four dollars (\$44.00) per Meter.
- 9.11 The violation of its Gas Delivery and/or Gas Supply Services rate schedules shall be corrected.
- 9.12 Full payment or satisfactory arrangements for the payment of all bills for service then due must be made.
- 9.13 A cash deposit as guarantee for payment of all future bills shall be made.
- 9.14 Estimated amounts due the Utility by reason of any fraudulent use of Gas must be paid and a cash deposit to guarantee the payment of future bills shall be made.

9.2 Except as provided in Section 9.3, below, when reconnection of Gas Service Line is requested by an End-Use Customer within one year following disconnection of Gas Service Line at the request of that End-Use Customer, a charge for restoration of Gas Service Line may be made. Such charge shall be the greater of:

- a. Forty-four dollars (\$44.00), or
- b. The sum of the facilities charges, as prescribed by the applicable Gas Delivery Service rate schedules, for each month the Gas Service remained discontinued.

9.3 When reconnection of Gas Service Line is requested for a Gas Service Line that has been cut and capped, a charge may be made sufficient to reimburse the Utility for its costs of service restoration from the Meter location to an active gas main.

10. PROTECTION OF SYSTEM INTEGRITY

10.1 Non-Economic Operational Flow Orders, Interruptions, and Curtailments are designed for use at times when the Utility, due to unforeseen conditions, must take action to protect the integrity of its system. When employing one or more of these actions, the Utility will make every safe and feasible attempt to minimize the impact to its End-Use Customers.

10.2 To the extent circumstances permit, the following will be the order of actions taken by the Utility to protect its system integrity. Non-Economic Operational Flow Orders, consistent with Section 12.4, will be issued by the Utility as a first step in protecting the operational integrity of its system. Depending upon the time of year, level of overall system demand, and available gas supply volumes, a Non-Economic Operational Flow Order may be sufficient to remedy any problem that may occur. The second step to be taken by the Utility is Curtailment, consistent with Section 11.1.

10.3 Once Citizens has determined that there no longer is a threat to system integrity, the Utility will begin notifying affected End-Use Customers and 3rd Party Suppliers that the previously described actions are no longer necessary and that they may resume normal operations.

11. CURTAILMENT

The Utility may order Curtailment for operating reasons (e.g., malfunction of City Gate station, malfunction of critical valve) to protect the Utility's system; when it becomes apparent Gas Supplies will be insufficient and protection of all essential Human Needs uses is contingent upon Curtailment of other uses; and, for any other reasons, as described in Rule 7.11.

11.1 NOTICE

The Utility will give reasonable notice, but not less than thirty minutes, of Curtailment in accordance with the applicable provisions of applicable Gas Delivery Service rate schedules.

11.2 PENALTIES

In the event an End-Use Customer fails to comply with any Curtailment notice or order of the Utility for the End-Use Customer to reduce its hourly or daily use of Gas, the End-Use Customer may be subject to Non-Performance Charge provisions pursuant to the Non-Performance Charge rate schedule, for all Gas volumes delivered in variance from the quantity ordered by the Utility.

11.3 ORDER OF CURTAILMENT

In effecting any such Curtailment, the Utility shall be entitled to curtail gas deliveries to any Commercial or Industrial Customer, other than Human Needs Customers, to a level equivalent to 15% of the End-Use Customer's daily Gas Supply Nomination. The Utility shall first curtail or discontinue Gas Delivery and/or Gas Supply Service to End-Use Customers served under Rate Schedules D5 and D9 that commonly use large quantities of Gas and are not engaged in an activity essential to health or safety, and where Gas not delivered can be readily utilized by the Utility to reduce any deficiency in the Gas Supply to all Human Needs Customers. If further curtailments are necessary, the Utility shall next curtail or discontinue Gas Delivery and/or Gas Supply Service to End-Use Customers served under Rate Schedules D3 and D4 that are not engaged in an activity essential to health or safety, and where Gas not delivered can be readily utilized by the Utility to reduce any deficiency in the Gas Supply to all Human Needs Customers.

In the event of a gas supply shortage or interruption, the Utility may use the Gas volumes nominated and delivered by 3rd Party Suppliers to supply essential Human Needs Customers requirements. For all Gas so used, the Utility will pay the 3rd Party Supplier its demonstrated cost of Gas.

12. CITIZENS ENERGY SELECT

12.1 ELIGIBILITY

All End-Use Customers served under Gas Rate Nos. D3, D4, D5 and D9 with annual usage greater than 50,000 Therms, are eligible to select a 3rd Party Supplier to provide them gas supply service as part of a Supplier Group, or to act as their own Supply Agent. All remaining End-Use Customers under Gas Rate Nos. D3, D4, D5 and D9 are eligible to choose a 3rd Party Supplier as part of a Supplier Pool.

12.11 SUPPLIER GROUP CHARACTERISTICS

Each Supplier Group will consist of Commercial and Industrial Customers that are a Single Account, Consolidated Account, or Aggregated Group. All accounts in the Supplier Group will have either chosen the Basic Delivery Service Option and installed Automated Meter Reading devices, or they will receive Standard Delivery Service and will appear in the same Utility meter reading district for billing purposes. End-Use Customers receiving Standard Delivery Service will be in a Supplier Group that contains customers in the same Utility meter reading district. The End-Use Customer's Utility meter reading district will not change for purposes of determining the End-Use Customer's Supplier Group. Each Supplier Group is administered individually by a 3rd Party

Supplier for nomination and supply purposes. Basic Usage Imbalances of accounts in each Supplier Group are netted daily and monthly, as appropriate, for Commercial and Industrial Customers choosing the Basic Delivery Service Option. Usage Imbalances of accounts in each Supplier Group receiving Standard Delivery Service are netted monthly.

12.12 SUPPLIER POOL CHARACTERISTICS

Each Supplier Pool will consist of Commercial or Industrial Customers each with individual usage of less than 50,000 Therms annually, and combined usage of 100,000 Therms. End-Use Customers within Supplier Pools may appear in any Utility meter reading district for billing purposes. Each Supplier Pool is administered individually by a 3rd Party Supplier for nomination and supply purposes. 3rd Party Suppliers of End-Use Customers in a Supplier Pool will be notified on a daily basis as to the level of Forecasted Daily Requirements to be delivered by the 3rd Party Supplier on behalf of each End-Use Customer, for the following Gas Day.

12.13 SUPPLY AGENT CHARACTERISTICS

Each End-Use Customer acting as its own Supply Agent will have elected the Basic Delivery Service Option. Each Supply Agent is administered individually for nomination and supply purposes and takes on the duties and responsibilities of a 3rd Party Supplier. Basic Usage Imbalances are not netted.

12.2 SIGN-UP AND CONFIRMATION

End-Use Customers in Supplier Groups with annual usage greater than 50,000 therms will be required to complete a Gas Delivery Service Agreement at least 21 days prior to the first day of the billing cycle when 3rd Party Supplier gas supply services commence.

End-Use Customers in Supplier Pools will not be required to complete a Gas Delivery Service Agreement. 3rd Party Suppliers of Supplier Pools will be required to provide the Utility with a list of End-Use Customer accounts, including the 12-digit Citizens Gas account number, 21 days prior to the first day of the billing cycle when 3rd Party Supplier Gas Supply services commence. Upon receipt of the list, the Utility will notify End-Use Customers, by letter, confirming that the designated 3rd Party Supplier will commence providing Gas Supply services to them the first day of the following billing cycle.

12.21 SWITCHING 3RD PARTY SUPPLIERS

End-Use Customers may switch 3rd Party Suppliers under Citizens Energy Select only on the first day of the billing cycle. 3rd Party Suppliers signing up new End-Use Customers in Supplier Groups, or in Supplier Pools, will follow the same sign up procedures as for new End-Use Customers. A 3rd Party Supplier will notify the Utility of any End-Use Customer additions at least 21 days prior to the first day of the following bill cycle. End-Use Customers switching 3rd Party Suppliers, or 3rd Party Suppliers requesting to move End-Use Customers between its Supplier Groups or Supplier Pools more than once in a calendar year will be subject to Switching Charges. End-Use Customers are only eligible to return to Utility Gas Supply Service once in any 12-month period.

12.22 RETURN TO UTILITY GAS SUPPLY SERVICE

Once each 12-month period, upon 21 days' notice to the Utility, End-Use Customers in Supplier Pools may elect to return to Utility Gas Supply Service on the first day of the following billing cycle. End-Use Customers in Supplier Groups, or acting as their own Supply Agent may return to Utility Gas Supply Service under the same conditions, if gas supply and pipeline capacity is available. End-Use Customers returning must remain on Utility Gas Supply Service for a minimum of one billing cycle. Any such changes will not affect the obligations under any contract between the End-Use Customer and 3rd Party Supplier.

12.3 SUPPLY ADMINISTRATION

3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, are responsible for supply administration. Supply administration includes, but is not limited to providing Daily Gas Supply Nominations, ensuring Daily Gas Supply Deliveries, managing balancing requirements, and providing billing data to the Utility for each individual End-Use Customer.

12.31 FORECASTED DAILY REQUIREMENTS

The Utility will calculate Forecasted Daily Requirements for End-Use Customers in Supplier Pools. Forecasted Daily Requirements will be provided by the Utility to 3rd Party Suppliers no later than 24 hours prior to the beginning of the Gas Day.

12.32 GAS SUPPLY NOMINATIONS AND SCHEDULING

3rd Party Suppliers of Supplier Groups, or End-Use Customers acting as their own Supply Agent, are required to provide an estimate of Daily Gas Supply Nominations to the Utility for the following month, by no later than 5 calendar days prior to the beginning of the month. All Daily Gas Supply Nominations and Daily Gas Supply Deliveries must include ~~anthe~~ allowances of 0.6% for Unaccounted-For Gas and Company Use Gas as approved by the Commission in Gas Rate No. S4.

Daily Gas Supply Nominations must include a separate Banking Injection Nomination or Banking Withdrawal Nomination if applicable. Daily Gas Supply Nominations must be reasonable, in the Utility's judgment, based on previously estimated daily nominations and will be accepted at the Utility's discretion. Intra-day nominations will be allowed pursuant to rules of the interstate pipeline.

3rd Party Suppliers and End-Use Customers acting as their own Supply Agent will provide Daily Gas Supply Nominations to the Utility. All nominations shall include at a minimum: name of 3rd Party Supplier, name and phone number of individual submitting the nomination, pipeline transportation contract number, applicable Supplier Group or Supplier Pool, or End-Use Customer, date for which nomination applies, and type of nomination submitted.

3rd Party Suppliers of Supplier Groups and Supplier Pools, and End-Use Customers acting as their own Supply Agent, are required to provide 50% of their Daily Gas Supply Nominations on the Panhandle Eastern Pipe Line and the remaining 50% of their Daily Gas Supply Nominations on the Texas Gas Transmission Pipeline and/or Heartland Gas Pipeline (in any combination). Subject to the terms of the Settlement Agreement in Cause No. 41605, the Utility will allow, on a first-come, first-served basis, End-Use Customers with annual usage greater than 1,000,000 Therms, to notify the Utility, in writing, of an intent to nominate volumes that do not comply with the previously stated requirement of equal nomination amounts on all interstate pipelines connected to the Utility's distribution system, pursuant to Gas Rate Nos. D5 and D9.

12.33 CUSTOMER BANKING VOLUMES

End-Use Customers of 3rd Party Suppliers, or an End-Use Customer acting as its own Supply Agent, will be granted Customer Banking Volumes for use throughout the year. All Customer Banking Volumes requested to be injected or withdrawn must be nominated in accordance with required nomination procedures.

Customer Banking Volumes will remain with End-Use Customers should they switch 3rd Party Suppliers, and will transfer from the former 3rd Party Supplier to the new 3rd Party Supplier, effective at the same time as the change in 3rd Party Supplier. The level of Customer Banking Volumes granted will be reviewed periodically by the Utility.

End-Use Customers electing Basic Delivery Service, with annual usage in excess of 1,000,000 Therms annually, may opt-out of Banking Service, pursuant to Gas Rate Nos. D5 and D9. An End-Use Customer must sign an agreement with the Utility to opt-out of Banking Service for the elected 12-month period.

Any End-Use Customer desiring to resubscribe to Banking Service may do so, but only if sufficient capacity either exists, or can be procured by the Utility. Any costs that are the direct result of the customer returning to Banking Service, including but not limited to pipeline capacity costs and costs for storage services incurred by the Utility to return the End-Use Customer to Banking Service, will be directly charged to the returning End-Use Customer.

After an End-Use Customer has provided written notice to opt-out under this section, the End-Use Customer will continue as an opt-out customer unless that customer wishes to change and does so in accordance with the provisions of this section. Subject to the previous sentence, subsequent to the initial opt-out period, beginning in February, 2004, to the extent not otherwise limited by this section, End-Use Customers will notify Citizens that they are electing to opt-out of Banking Service during the month of February ("Election Period") of each year. The election will become effective starting April 1 of that same year and remain effective through March 31, of the following year. Confirmation of the election will be returned to the End-Use Customer during the month of March immediately following the Election Period.

Annually, during the Election Period, the Utility will make available Incremental Banking Volumes, through Incremental Banking Service, under Gas Rate No. A9, to all End-Use Customers purchasing gas supply from a 3rd Party Supplier or End-Use Customers acting as their own Supply Agent.

12.34 GAS SUPPLY DELIVERIES AND IMBALANCE PROVISIONS

Daily Gas Supply Nominations and Banking Injections or Withdrawals must be equal to Forecasted Daily Requirements for End-Use Customers in Supplier Pools in order to avoid Delivery Imbalances, subject to Non-Performance Charges.

Daily Gas Supply Nominations and Daily Gas Supply Deliveries must be equal for End-Use Customers in Supplier Groups, or an End-Use Customer acting as its own Supply Agent, to avoid Delivery Imbalances, subject to Non-Performance Charges.

Usage Imbalances will be netted on a monthly basis, and Basic Usage Imbalances will be netted on a daily basis, within a single Supplier Group. Netted Usage Imbalances and Basic Usage Imbalances are subject to provisions of Usage Balancing Service and Basic Usage Balancing Service, and Non-Performance Charges.

12.35 3RD PARTY SUPPLIER DEFAULT

3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, will be considered in default if three (3) days have elapsed and no Daily Gas Supply Deliveries are made on behalf of applicable End-Use Customers. Gas volumes consumed by End-Use Customers during the three (3) day period will be subject to Non-Performance Charges. 3rd Party Suppliers in default will forfeit the right to provide gas supply services to End-Use Customers. If a 3rd Party Supplier defaults, starting on the fourth day of default, End-Use Customers will be provided Supply of Last Resort Service, Gas Rate No. S3.

12.4 NON-ECONOMIC OPERATIONAL FLOW ORDERS

The Utility, in its discretion, shall have the right to issue a Non-Economic Operational Flow Order ("OFO") during a Critical Period. A Critical Period may be declared by the Utility at any time a material and significant threat to the operational integrity of the Utility's system occurs, or there is a reasonable basis to anticipate a threat will occur.

12.41 CONDITIONS

Such conditions include, but are not restricted to operation of any area of the Utility's system at or near design capacity; failure or operational constraint of the Utility's transmission, distribution or gas storage facilities; system pressure, affected by pipeline delivery pressures or other unusual conditions; declaration of an Operational Flow Order or equivalent by pipelines supplying Gas to the Utility's distribution system; or under deliveries from 3rd Party Suppliers.

12.42 NOTICE

Notice of the Non-Economic OFO will be given as far in advance as practicable, but not less than two hours prior to the effective time, using reasonable efforts to notify affected 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent.

12.43 PROVISIONS

Each Non-Economic OFO notification will contain the following provisions, to the extent possible: time and date of issuance; time that the Non-Economic OFO is considered to be effective; duration of the Non-Economic OFO; if no duration is specified, the Non-Economic OFO will be effective until further notice; the party or parties receiving the Non-Economic OFO; the condition requiring the Non-Economic OFO; the conduct or actions required to remedy the operating condition requiring the issuance of the Non-Economic OFO; and any other terms the Utility may reasonably require to ensure the effectiveness of the Non-Economic OFO.

12.44 REQUIREMENTS

A Non-Economic OFO may require a 3rd Party Supplier or End-Use Customer acting as its own Supply Agent to deliver for End-Use Customer use a specified quantity of Gas to a designated point of receipt. The specified quantity will be based on each End-Use Customer's expected usage, and will be between zero and the End-Use Customer's Maximum Daily Quantity.

12.45 PENALTIES

Failure to comply with a Non-Economic OFO will result in the application of the Non-Economic OFO imbalance charges specified in Basic Usage Balancing Service, or Non-Performance Charges, for all Gas volumes delivered in variance from the quantity ordered by the Utility.

12.5 END-USE CUSTOMER BILLING AND PAYMENT

Bills will be issued monthly by the Utility, for both Gas Delivery and Gas Supply Services, or, if applicable, gas supply services provided by 3rd Party Suppliers. Charges for Administrative Services provided to End-Use Customers will be provided in separate monthly bills issued by the

Utility. Bills are payable to the office of the Utility or to an authorized agent within seventeen (17) days from the date mailed. When the seventeenth (17th) day falls on Sunday or a legal holiday, the seventeen-day period shall be considered to end with the next business day. Following receipt of the End-Use Customer's payment, the Utility will remit funds received for gas supply services provided to 3rd Party Suppliers once per week.

12.51 End-Use Customers returning to Utility Gas Supply Service may do so at the Utility's discretion, but may be required to pay a deposit pursuant to Section 3.

12.52 The Automatic Bank Deduction Plan shall be a payment plan whereby the billed amount is deducted each month from the End-Use Customer's checking account by the End-Use Customer's authorized financial institution. The Utility shall continue to provide to the End-Use Customer a monthly bill containing all appropriate charges for Gas Delivery and/or Gas Supply Services.

12.6 LIABILITY

The Utility shall not be deemed to be in control and possession of 3rd Party Supplier or End-Use Customer Gas until such Gas has been delivered to the Utility at the City Gate. Gas shall be and shall remain the property of the End-Use Customer while being delivered by the Utility. The End-Use Customer shall be responsible for maintaining all insurance it deems necessary to protect any property interests in such Gas, during and after receipt by Utility.

12.7 SUPPLIER BILLING AND PAYMENT

Charges for all Administrative Services provided to 3rd Party Suppliers will be billed monthly. Bills are payable to the office of the Utility or to an authorized agent within seventeen (17) days from the date mailed. When the seventeenth (17th) day falls on Sunday or a legal holiday, the seventeen-day period shall be considered to end with the next business day. A 3rd Party Supplier not remitting payment within thirty (30) days will be subject to late payment charges of 10%. Any 3rd Party Supplier not remitting payment within sixty (60) days will be in default and may be subject to disqualification for provision of gas supply Services to End-Use Customers.

13. SUPPLIER ACCESS REQUIREMENTS

13.1 BUSINESS REGISTRATION/OWNERSHIP AFFILIATIONS

13.11 Any person seeking to become a 3rd Party Supplier (referred to as "Supplier Applicant" for purposes of Section 14) must file an application containing the following information:

- a. Supplier Applicant's name, federal tax identification number, business address, telephone number, facsimile number, and e-mail address;
- b. Supplier Applicant's ownership structure, including parent, subsidiaries and affiliated companies; and,
- c. The names, addresses and telephone numbers of two (2) financial institution credit references, and two (2) trade credit references, along with a brief description of the relationship and high credit amount (in the most recent twelve (12) months) associated with each relationship.

13.12 Application must be accompanied by:

- a. Audited financial statements (balance sheets, income statements, and cash flow statements) of the Applicant for the last two (2) years;
- b. Proof of creditworthiness satisfactory to Utility to protect against damages resulting from the Supplier Applicant's failure to deliver Gas to End-Use Customers and to assure payment of any charges for any such failure, which may include at Utility's option an irrevocable letter of credit or financial guaranty from the Supplier Applicant in the amount of \$250,000, or two (2) times the value of the highest monthly Gas usage of the Supplier Applicant's aggregated End-Use Customers, whichever is greater. The Utility may request that qualified 3rd Party Suppliers increase the level of the letter of credit or financial guaranty should the reported value of the 3rd Party Suppliers' aggregated End-Use Customers' gas usage increase by greater than 25%;
- c. A copy of the Supplier Applicant's most recent Dun & Bradstreet "Comprehensive Report," and
- d. An application fee of \$1,000.

- 13.13** Utility shall have sole discretion to determine creditworthiness based on the above criteria, but will not deny creditworthiness without reasonable cause.

13.2 3rd PARTY SUPPLIER AGREEMENT WITH UTILITY

- 13.21** Upon approval of the 3rd Party Supplier's application, the 3rd Party Supplier agrees to deliver Gas, on behalf of Supplier's End-Use Customers in accordance with, and to abide by, the Utility's requirements and procedures for supplying Gas to End-Use Customers contained herein.

- 13.22** If 3rd Party Supplier fails to deliver Gas in accordance with its End-Use Customer's Requirements for such service, Utility shall, if necessary, provide Gas on a temporary basis to the affected customer(s) and shall bill the 3rd Party Supplier the Non-Performance Charges as reflected on Gas Rate A4.

13.3 END-USE CUSTOMER PROTECTION - FAIR MARKETING PRACTICES

- 13.31** 3rd Party Suppliers shall refrain from engaging in communications or practices with End-Use Customers that are discriminatory, predatory, fraudulent, deceptive or misleading.
- 13.32** 3rd Party Suppliers shall act in good faith to assist End-Use Customers requesting to be switched to alternative 3rd Party Suppliers, subject to the applicable terms of the agreement between the 3rd Party Supplier and the End-Use Customer.
- 13.33** A 3rd Party Supplier shall not purport to enroll an End-Use Customer without a valid, written agreement signed by the End-Use Customer.

13.4 END-USE CUSTOMER PROTECTIONS - END-USE CUSTOMER AGREEMENTS

- 13.41** Unless otherwise agreed to by the End-Use Customer, 3rd Party Suppliers shall include in the agreement between the 3rd Party Supplier and End-Use Customer, the following terms:
- a. A description of the End-Use Customer's rights, obligations and responsibilities;
 - b. The term of the agreement;
 - c. A detailed description of all charges for which the End-Use Customer is responsible;

- d. A clear and concise explanation of how the agreement may be terminated, renewed or extended;
- d. An assurance that the 3rd Party Supplier will provide thirty (30) days written notice to the End-Use Customer before ceasing to deliver gas supply to the Utility on the End-Use Customer's behalf pursuant to Section 1314.71 or 1314.72;
- f. A requirement that the 3rd Party Supplier provide sixty (60) days written notice to the End-Use Customer before automatically renewing the End-Use Customer's agreement;
- g. A description of the 3rd Party Supplier's dispute resolution process.

13.5 BILLING PRACTICES

- 13.51 The Utility shall act as billing agent for all 3rd Party Suppliers, except when circumstances for the End-Use Customer require, and the Utility agrees, that different billing practices shall apply. The Utility, following a written application by an End-Use Customer, may determine, for good cause shown and on a non-discriminatory basis that the End-Use Customer's 3rd Party Supplier(s) and not the Utility may bill that End-Use Customer for charges related to gas supply.
- 13.52 Subject to Section 1314.51, End-Use Customers shall receive only one bill, to be produced and distributed by the Utility for all charges related to gas supply and Gas Delivery Services.
- 13.53 Subject to Section 1314.51, 3rd Party Suppliers shall provide the Utility, in a timely and accurate manner, all required billing data, including, but not limited to, billing amount, rate, rate basis (nominations, actual usage, etc.), taxes (if applicable), additional fees or charges.
- 13.54 3rd Party Suppliers shall ensure that billing information provided to the Utility for inclusion in End-Use Customer bills contains sufficient information to allow the End-Use Customer to understand the basis for the billed amount.
- 13.55 The Utility shall charge and collect sales tax on all amounts shown on the bill distributed by the Utility unless the Utility is billing for the 3rd Party Supplier, and the 3rd Party Supplier furnishes it with a valid sales tax exemption certificate for the charges attributable to 3rd Party Supplier-provided Gas supply.

13.56 3rd Party Suppliers shall provide the End-Use Customers' billing data to the Utility in a medium acceptable to the Utility.

13.6 END-USE CUSTOMER PROTECTION - RELIABILITY AND DELIVERABILITY PRACTICES

13.61 3rd Party Suppliers shall maintain sufficient delivery capability and supply, including backup supply if necessary, to meet the End-Use Customer's requirements, as established in the 3rd Party Suppliers' supply agreement with the End-Use Customers.

13.62 3rd Party Suppliers shall comply with the approved Utility Gas Rates.

13.7 END-USE CUSTOMER PROTECTION - DISCONTINUANCE OF SERVICE

13.71 Unless otherwise agreed to by the Utility and the End-Use Customer, 3rd Party Suppliers shall provide no less than thirty (30) days prior written notice to the End-Use Customer and the Utility of the termination of a gas supply agreement.

13.72 Unless otherwise agreed to by the Utility and the End-Use Customer, 3rd Party Suppliers may cease to deliver gas supply to the Utility on behalf of an End-Use Customer after providing thirty (30) days written notice to the End-Use Customer and the Utility for any one of the following reasons:

- a. A violation of the agreement between the 3rd Party Supplier and an End-Use Customer or any failure to comply with applicable codes, rules or regulations regarding gas service.
- b. Nonpayment of a delinquent bill.

13.8 PENALTIES

13.81 A 3rd Party Supplier's right to contract with End-Use Customers with facilities located within the area served by the Utility may be terminated if the IURC or the Utility finds that any 3rd Party Supplier has engaged in fraudulent or misleading communications or practices with respect to its dealing with End-Use Customers.

13.82 A 3rd Party Supplier's right to contract with End-Use Customers also may be terminated if the 3rd Party Supplier fails to remit payment for current charges for more than 60 days. Utility may draw on the 3rd Party Supplier's Letter of Credit or enforce the financial guaranty to recover unpaid charges to the Utility.

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13.9 END-USE CUSTOMER INFORMATION

- 13.91** In the absence of the express consent by an End-Use Customer, 3rd Party Suppliers shall not resell or otherwise collect for distribution any information regarding that End-Use Customer. With facilities located within the area served by the Utility

**TERMS AND CONDITIONS
I.U.R.C. CAUSE NO. 4276743463**

EFFECTIVE: October 23, 2006

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GAS RATE NO. D1

RESIDENTIAL DOMESTIC DELIVERY & SUPPLY SERVICE

APPLICABILITY:

This rate schedule applies to all Gas delivered in a Month or any portion thereof for residential domestic purposes by an End-Use Customer through one Meter supplying a single Premise, with no more than four (4) individual units.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D1, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

\$7.00 ~~6.65~~ Per Month

DELIVERY CHARGE:

\$0.4648 ~~0.2771~~ Per Therm

In addition, the Customer Benefit Distribution/Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and Energy Efficiency Adjustment from Rider E shall apply to all Therms delivered.

GAS SUPPLY CHARGE:

The currently applicable charge for all Gas supplied under this Gas Rate No. D1 is identified on Rider A as Variable-Rate Supply.

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GAS RATE NO. D2

RESIDENTIAL HEATING DELIVERY & SUPPLY SERVICE

APPLICABILITY:

This rate schedule applies to all Gas delivered in a Month or any portion thereof for residential heating purposes by an End-Use Customer through one Meter supplying a single Premise, with no more than four (4) individual units.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D2, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

\$11.00 ~~10.00~~ Per Month

DELIVERY CHARGE:

\$.31130.2520 Per Therm For The First 46 Therms Each Month

\$.21200.1716 Per Therm For All Usage Over 46 Therms

In addition, the Customer Benefit Distribution/Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and Energy Efficiency Adjustment from Rider E shall apply to all Therms delivered.

GAS SUPPLY CHARGE:

The currently applicable charge for all Gas supplied under this Gas Rate No. D2 is identified on Rider A as Variable-Rate Supply.

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GAS RATE NO. D3

GENERAL NON-HEATING DELIVERY SERVICE

APPLICABILITY:

This rate schedule applies to all gas delivered in a Month or any portion thereof for non-heating purposes for a single End-Use Customer through one Meter supplying a single Premise.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D3, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

Meter Class I - \$15.00 Per Meter Per Month
Meter Class II - \$54.40 Per Meter Per Month
Meter Class III - \$183.75 Per Meter Per Month

The total Facilities Charge will be the sum of all applicable per Meter charges.

METER CLASSIFICATIONS:

For the purpose of the application of the Facilities Charge under this rate schedule, the Utility's gas meters are classified as follows:

<u>Meter Class I</u>	<u>Meter Class II</u>	<u>Meter Class III</u>
<u>(CF/Hour)</u>	<u>(CF/Hour)</u>	<u>(CF/Hour)</u>
250	8C	5000
425	800	5M
	1000	7M
	1400	11M
	2300	16M
	3000	23M

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GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

<u>Meter Class I</u> (CF/Hour)	<u>Meter Class II</u> (CF/Hour)	<u>Meter Class III</u> (CF/Hour)
	1.5M	38M
	3M	56M
		102M
		4 Turbo
		6 Turbo
		8 Turbo
		12 Turbo

DELIVERY CHARGE:

| **\$0.1226-1252 Per Therm For The First 500 Therms Delivered Each Month**

| **\$0.0930-0950 Per Therm For The Next 1,500 Therms Delivered Each Month**

| **\$0.0747-0763 Per Therm For All Therms Over 2,000 Delivered Each Month**

| In addition, applicable Balancing Charges from Rider A and the Customer Benefit Distribution/
Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and
Energy Efficiency -Adjustment from Rider E shall apply to all Therms delivered.

BASIC DELIVERY OPTION:

End-Use Customers, with annual usage greater than 50,000 Therms at a Single Account, are eligible to elect the Basic Delivery Service Option, in accordance with the Utility's requirements. End-Use Customers choosing the Basic Delivery Service Option must select a 3rd Party Supplier for gas supply service or act as their own Supply Agent.

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GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Delivery charges for Basic Delivery Service are as follows:

\$0.1095-1118 Per Therm For The First 500 Therms Delivered Each Month

\$0.0802-0819 Per Therm For The Next 1,500 Therms Delivered Each Month

\$0.0623-0636 Per Therm For All Therms Over 2,000 Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution / Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and Energy Efficiency Adjustment from Rider E shall apply to all Therms delivered.

End-Use Customers choosing the Basic Delivery Service Option must have Automatic Meter Reading (AMR) device(s), provided by the Utility through Information Service, under Gas Rate No. A7.

GAS SUPPLY:

This rate schedule and the above-stated charges or adjustments do not provide for a supply of Gas. Gas Supply is available from the Utility through Variable-Rate Gas Supply Service, under Gas Rate No. S1.

When eligible under the Citizens Energy Select program, End-Use Customers may also choose to purchase gas supply from a 3rd Party Supplier.

End-Use Customers choosing not to make a gas supply selection, either from the Utility, or from a 3rd Party Supplier, will receive Variable-Rate Gas Supply Service under Gas Rate No. S1.

End-Use Customers electing the Basic Delivery Service Option are eligible, but are not required, to act as their own Supply Agent. An End-Use Customer acting as a Supply Agent must be an approved bidder on CMS Panhandle Eastern Pipe Line and/or Texas Gas Transmission Corporation or its successor and is

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GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

expected to perform all responsibilities normally handled by 3rd Party Suppliers. These include, but are not limited to, forecasting gas supply volumes, making Daily Gas Supply Nominations, and balancing their nominations, deliveries and usage. End-Use Customers acting as their own Supply Agent, are responsible for charges for Supply Administration Service, under Gas Rate No. A1, as well as for Basic Usage Balancing Service, under Gas Rate No. A3, and, if applicable, Non-Performance Charges, under Gas Rate No. A4.

GAS SUPPLY FROM 3RD PARTY SUPPLIERS:

End-Use Customers may, when eligible under the Citizens Energy Select program, choose a 3rd Party Supplier to furnish a supply of Gas in accordance with the Utility's requirements. It is the End-Use Customer's responsibility to ensure that the 3rd Party Supplier delivers the directed proportion of gas supplies at delivery points designated by the Utility.

The Utility also reserves the right to bill the End-Use Customer at appropriate Gas Supply Service rates for Gas consumed in excess of Daily Gas Supply Deliveries, following cessation of any agreement with a 3rd Party Supplier.

Back-up Gas Supply Service, under Gas Rate No. S2, is available from the Utility to End-Use Customers for each Single Account with annual usage at a single meter greater than 50,000 Therms, and either choosing a 3rd Party Supplier, or acting as their own Supply Agent. Back-up Gas Supply Service provides for reservation of a designated level of pipeline capacity and gas supply to be available on a daily basis, in order to provide an additional measure of gas supply security. Back-up Gas Supply Service is only available to those customers choosing the Basic Delivery option and who have not opted out of Banking.

3rd Party Suppliers of End-Use Customers in a Supplier Pool will be notified on a daily basis as to the level of Forecasted Daily Requirements to be delivered by the 3rd Party Supplier on behalf of the End-Use Customer, the following Gas Day. Volumes to be delivered may include Banking Volume Injections or Withdrawals. Daily Gas Supply Nominations and Daily Gas Supply Deliveries must equal the day's Forecasted Daily Requirements in order to avoid Delivery Imbalances and Non-Performance charges (see Imbalance Provisions).

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GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Following expiration of their contracts with 3rd Party Suppliers, and with appropriate notice, as described in the accompanying Terms and Conditions for Gas Service, End-Use Customers may choose to purchase Gas Supply from the Utility under Gas Rate No. S1, with the Utility's approval.

End-Use Customers may switch 3rd Party Suppliers once each calendar year at no charge but will not be permitted to switch between 3rd Party Supplier to System Supply or vice versa more than one time per 12-month period. End-Use Customers who switch 3rd Party Suppliers more than once each calendar year will be subject to Switching Charges, under Gas Rate No. A8.

Gas Imbalance Provisions

Delivery Imbalances for Supplier Pools, arising from differences in the level of Forecasted Daily Requirements compared to the level of Daily Gas Supply Deliveries will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier in a Supplier Pool. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers through Non-Performance Charges under Gas Rate No. A4.

Usage Imbalances for Supplier Pools, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in Supplier Pools, will be calculated continually and used to adjust Forecasted Daily Requirements provided to 3rd Party Suppliers for remaining days in the month. Usage Balancing charges will not apply to Supplier Pools for Usage Imbalances.

Delivery Imbalances for Supplier Groups, or End-Use Customers acting as their own Supply Agent, arising from differences in the level of Daily Gas Supply Nominations compared to the level of Daily Gas Supply Deliveries to the Utility's gas system, will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier, in a Supplier Group, or End-Use Customers acting as their own Supply Agent. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Non-Performance Charges, under Gas Rate No. A4.

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GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Usage Imbalances for Supplier Groups, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in the Supplier Group, will be monitored, combined and netted, on a monthly basis. Unless an Operational Flow Order is issued, all monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Usage Balancing Service, under Gas Rate No. A2. In the event of an Operational Flow Order, monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Non-Performance Charges, under Gas Rate No. A4.

Basic Usage Imbalances, for Basic Delivery Service Customers, arising from differences in the level of Daily Gas Supply Deliveries compared to the level of gas consumed by the End-Use Customer, will be monitored for End-Use Customers acting as their own Supply Agent, or combined and netted, on a daily basis, for all End-Use Customers in a single Supplier Group. All daily net Basic Usage Imbalances will be calculated daily and charged, at month end, to 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, through Basic Usage Balancing Service, under Gas Rate No. A3.

Banking Service

All End-Use Customers contracting with 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, will be granted Customer Banking Volumes for use throughout the year.

Customer Banking Volumes will be granted periodically by the Utility to each End-Use Customer based on the ratio of the End-Use Customer's winter season (November through March) consumption to total Utility winter season throughput, both for the preceding heating season, times the storage capacity available for banking. New End-Use Customers will be granted Customer Banking Volumes based on usage of similar End-Use Customers, if more specific information is not available.

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GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

If the End-Use Customer elects to change 3rd Party Suppliers, Customer Banking Volumes will remain with the End-Use Customer and will transfer from the former 3rd Party Supplier to the new 3rd Party Supplier, effective at the same time as the change in 3rd Party Supplier.

Incremental Banking Service

During the Election Period, the Utility will make available Incremental Banking Volumes, through Incremental Banking Service, under Gas Rate No. A9, to all End-Use Customers purchasing gas supply from a 3rd Party Supplier, End-Use Customers acting as their own Supply Agent, or 3rd Party Suppliers. Requirements for use of Incremental Banking Volumes acquired by 3rd Party Suppliers or End-Use Customers either are identical to standard Banking Volumes as described below, or are in accordance with the non-discriminatory standards determined by the Utility.

Nomination of Customer Banking Volumes

End-Use Customers' daily Banking Volume Injections or Withdrawals will be designated by their 3rd Party Supplier or End-Use Customers acting as their own Supply Agent. All Customer Banking Volumes requested to be injected or withdrawn must be nominated by the 3rd Party Supplier or End-Use Customers acting as their own Supply Agent, by the end of the gas day, in accordance with the required nomination procedures as described in the Terms and Conditions for Gas Service. Subject to the limitations described below, the Banking Injection or Withdrawal Nominations will be confirmed in total or in part at the sole discretion of the Utility.

Confirmed Banking Injection or Withdrawal Nominations will be used in the determination of Delivery and Usage Imbalances.

The Customer Banking Volume injection period will be the period from April 1 through October 31, inclusive. Customer Banking Volume injections shall not be permitted from November 1 through March 31. By October 31 of each year, all Banking Injection Nominations must have been delivered to the Utility's City Gate. The maximum Banking Volume Injection Quantity ("BVIQ") is one-one hundred and fiftieth (1/150) of the Customer Banking Volume, less remaining inventory from the previous year. Banking Withdrawal and Injection Nominations will be done ratably, or in accordance with the Utility's operational needs.

GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Permission for Banking Injection Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

If the granted Customer Banking Volume level is not reached by October 31, the Utility will purchase and inject the volume of Gas necessary to bring the Customer Banking Volume inventory to the assigned level and the End-Use Customer will be charged for that volume in accordance with the provisions of Gas Rate No. A2.

The Customer Banking Volume withdrawal period will be the period from November 1 through March 31, inclusive. Banking Withdrawal Nominations shall not be permitted from April 1 through October 31. The maximum Banking Volume Withdrawal Quantity ("BVWQ"), on any one day, shall be calculated as one-seventy fifth (1/75) of the granted Customer Banking Volumes. Banking Injection and Withdrawal Nominations will be done ratably or in accordance with the Utility's operational needs.

The BVWQ will be reduced as the withdrawal period progresses in accordance with the following table:

Applicable Dates	Maximum Daily Banking Withdrawal Quantity
Nov. 1 – Dec. 31	100% of BVWQ
Jan. 1 – Jan. 15	75% of BVWQ
Jan. 16 – Feb. 15	50% of BVWQ
Feb. 16 – Mar. 31	25% of BVWQ

Permission for Banking Withdrawal Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

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GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Customer Banking Volumes must be maintained at or above minimum Customer Banking Volume inventory levels, expressed as a percentage of total Customer Banking Volumes, over the winter season, in accordance with the following table:

Date	Minimum Customer Banking Volume Inventory % of Total Capacity
At January 31	19%
At February 28	9%

No End-Use Customers will be allowed to switch back to Variable-Rate Gas Supply Service under Gas Rate No. S1 during the winter season, unless the required minimum Customer Banking Volume Inventory balances noted above are maintained.

Up to 5% of Customer Banking Volumes may remain in inventory at the end of the withdrawal period (March 31) without penalty. If more than 5% of Customer Banking Volumes is left in inventory at the end of the withdrawal period, the Utility will purchase from the End-Use Customer all remaining Customer Banking Volumes above the 5% allowance. The purchase price will be the lesser of 90% of the applicable Variable-Rate Gas Supply Service, for the current month, under Gas Rate No. S1, or 90% of the Utility's Storage WACOG at March 31.

Supply of Last Resort

If the 3rd Party Supplier or End-Use Customer acting as its own Supply Agent, defaults, as indicated by its failure to nominate and/or deliver gas supplies for three consecutive days, End-Use Customers who have contracted for gas supply services from 3rd Party Suppliers, or are acting as their own Supply Agent will have access to Supply of Last Resort Service from the Utility, under Gas Rate No. S3 if available. Supply of Last Resort Service, if available, will be provided until the first day of the End-Use Customer's next billing cycle, at which time Variable Rate Gas Supply Service, under Gas Rate No. S1, will apply for a minimum of one billing cycle, subject to the Utility's discretion. If End-Use Customers do not have Automated Meter Reading devices, usage applicable to Supply of Last Resort Service will be prorated.

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GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Nominations

3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own Supply Agent, will be required to provide an estimate of Daily Gas Supply Nominations for the following month to the Utility by the required date, as stated in the Terms and Conditions for Gas Service, prior to the beginning of the month. 3rd Party Suppliers of End-Use Customers in a Supplier Group or Supplier Pool, and End-Use Customers acting as their own Supply Agent, also will be required to provide Daily Gas Supply Nominations to the Utility, as stated in the Terms and Conditions for Gas Service. The Utility retains the right to refuse Daily Gas Supply Nominations that vary significantly from the estimated daily nomination previously provided to the Utility.

Except as otherwise provided herein, 3rd Party Suppliers of Supplier Groups and Supplier Pools, and End-Use Customers acting as their own Supply Agent are required to provide 50% of their Daily Gas Supply Nominations on Panhandle Eastern Pipe Line and the remaining 50% on the Texas Gas Transmission Pipe Line and/or Heartland Gas Pipe Line (in any combination) at the 3rd Party Supplier's level.

Non-Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue a Non-Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If a Non-Economic OFO is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Non-Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Non-Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

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GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue an Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If an Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Unaccounted-For Gas and Company Use Gas

The Utility will retain the allowances for Unaccounted-For Gas and Company Use Gas of the volumes tendered for delivery to the End-Use Customer for Company Use Gas as approved by the Commission in Gas Rate No. S4.

Company Use Gas

~~The Utility will retain 0.6% of the volumes tendered for delivery to the End Use Customer for Company Use Gas.~~

Curtailment

Service under this rate schedule may be curtailed, as described in Terms and Conditions for Gas Service. If a Curtailment is declared, the Utility will notify End-Use Customers, and 3rd Party Suppliers, as soon as practicable, but not less than 30 minutes prior to the effective time. End-Use Customers may be directed to restrict their Gas consumption on an hourly or daily basis. End-Use Customers who do not comply with the Utility's request may be subject to Non-Performance Charges, under Gas Rate No. A4, for all Gas taken in excess of the Utility's order.

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GAS RATE NO. D4

GENERAL HEATING DELIVERY SERVICE

APPLICABILITY:

This rate schedule applies to all gas delivered in a Month or any portion thereof for heating purposes for a single End-Use Customer through one Meter supplying a single Premise.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D4, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

Meter Class I - \$16.25 Per Meter Per Month
Meter Class II - \$54.00 Per Meter Per Month
Meter Class III - \$178.25 Per Meter Per Month

The total Facilities Charge will be the sum of all applicable per Meter charges.

METER CLASSIFICATIONS:

For the purpose of the application of the Facilities Charge under this rate schedule, the Utility's gas meters are classified as follows:

<u>Meter Class I</u> (CF/Hour)	<u>Meter Class II</u> (CF/Hour)	<u>Meter Class III</u> (CF/Hour)
250	8C	5000
425	800	5M
	1000	7M
	1400	11M
	2300	16M
	3000	23M

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 4276743463

Effective: September 1, 2007

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GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

<u>Meter Class I</u> (CF/Hour)	<u>Meter Class II</u> (CF/Hour)	<u>Meter Class III</u> (CF/Hour)
	1.5M	38M
	3M	56M
		102M
		4 Turbo
		6 Turbo
		8 Turbo
		12 Turbo

DELIVERY CHARGE:

\$1.667 ~~.1390~~ Per Therm For The First 500 Therms Delivered Each Month

\$1.508 ~~.1258~~ Per Therm For The Next 1,500 Therms Delivered Each Month

\$1.376 ~~.1148~~ Per Therm For The Next 3,000 Therms Delivered Each Month

\$1.270 ~~.1059~~ Per Therm For All Therms Over 5,000 Delivered Each Month

In addition, applicable Balancing Charges from Rider A and the Customer Benefit Distribution/ Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and Energy Efficiency Adjustment from Rider E shall apply to all Therms delivered.

BASIC DELIVERY OPTION:

End-Use Customers with annual usage greater than 50,000 Therms at a Single Account are eligible to elect the Basic Delivery Service Option, in accordance with the Utility's requirements. End-Use Customers choosing the Basic Delivery Service Option must select a 3rd Party Supplier for gas supply service or act as their own Supply Agent.

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 4276743463

Effective: September 1, 2007

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GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Delivery charges for Basic Delivery Service are as follows:

\$1520.1268 Per Therm For The First 500 Therms Delivered Each Month

\$1363.1137 Per Therm For The Next 1,500 Therms Delivered Each Month

\$1233.1028 Per Therm For The Next 3,000 Therms Delivered Each Month

\$1127.0940 Per Therm For All Therms Over 5,000 Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution/ Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and Energy Efficiency Adjustment from Rider E shall apply to all Therms delivered.

End-Use Customers choosing the Basic Delivery Service Option must have Automatic Meter Reading (AMR) devices, provided by the Utility through Information Service, under Gas Rate No. A7.

GAS SUPPLY:

This rate schedule and the above-stated charges or adjustments do not provide for a supply of Gas. Gas Supply is available from the Utility through Variable-Rate Gas Supply Service, under Gas Rate No. S1.

When eligible under the Citizens Energy Select program, End-Use Customers may also choose to purchase gas supply from a 3rd Party Supplier.

End-Use Customers choosing not to make a gas supply selection, either from the Utility, or from a 3rd Party Supplier, will receive Variable-Rate Gas Supply Service under Gas Rate No. S1.

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GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

End-Use Customers electing the Basic Delivery Service Option are eligible, but are not required, to act as their own Supply Agent. An End-Use Customer acting as a Supply Agent must be an approved bidder on CMS Panhandle Eastern Pipe Line and/or Texas Gas Transmission Corporation or its successor and is expected to perform all responsibilities normally handled by 3rd Party Suppliers. These include, but are not limited to, forecasting gas supply volumes, making Daily Gas Supply Nominations, and balancing their nominations, deliveries and usage. End-Use Customers acting as their own Supply Agent are responsible for charges for Supply Administration Service, under Gas Rate No. A1, as well as for Basic Usage Balancing Service, under Gas Rate No. A3, and, if applicable, Non-Performance Charges, under Gas Rate No. A4.

GAS SUPPLY FROM 3RD PARTY SUPPLIERS:

End-Use Customers may, when eligible under the Citizens Energy Select program, choose a 3rd Party Supplier to furnish a supply of Gas in accordance with the Utility's requirements. It is the End-Use Customer's responsibility to ensure that the 3rd Party Supplier delivers the directed proportion of gas supplies at delivery points designated by the Utility.

The Utility also reserves the right to bill the End-Use Customer at appropriate Gas Supply Service rates for Gas consumed in excess of Daily Gas Supply Deliveries, following cessation of any agreement with a 3rd Party Supplier.

Back-up Gas Supply Service, under Gas Rate No. S2, is available from the Utility to End-Use Customers for each Single Account with annual usage at a single meter greater than 50,000 Therms, and either choosing a 3rd Party Supplier, or acting as their own Supply Agent. Back-up Gas Supply Service provides for reservation of a designated level of pipeline capacity and gas supply to be available on a daily basis, in order to provide an additional measure of gas supply security. Back-up Gas Supply Service is only available to those customers choosing the Basic Delivery option and who have not opted out of Banking.

3rd Party Suppliers of End-Use Customers in a Supplier Pool will be notified on a daily basis as to the level of Forecasted Daily Requirements to be delivered by the 3rd Party Supplier on behalf of the End-Use Customer, the following Gas Day. Volumes to be delivered may include Banking

GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Volume Injections or Withdrawals. Daily Gas Supply Nominations and Daily Gas Supply Deliveries must equal the day's Forecasted Daily Requirements in order to avoid Delivery Imbalances and Non-Performance charges (see Imbalance Provisions).

Following expiration of their contracts with 3rd Party Suppliers, and with appropriate notice, as described in the accompanying Terms and Conditions for Gas Service, End-Use Customers may choose to purchase Gas Supply from the Utility under Gas Rate Nos. S1, with the Utility's approval.

End-Use Customers may switch 3rd Party Suppliers once each calendar year at no charge, but will not be permitted to switch from 3rd Party Supplier to System Supply or vice versa more than one time per 12-month period. End-Use Customers who switch 3rd Party Suppliers more than once each calendar year will be subject to Switching Charges, under Gas Rate No. A8.

Gas Imbalance Provisions

Delivery Imbalances for Supplier Pools, arising from differences in the level of Forecasted Daily Requirements compared to the level of Daily Gas Supply Deliveries, will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier in a Supplier Pool. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers through Non-Performance Charges under Gas Rate No. A4.

Usage Imbalances for Supplier Pools, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in Supplier Pools, will be calculated continually and used to adjust Forecasted Daily Requirements provided to 3rd Party Suppliers for remaining days in the month. Usage Balancing charges will not apply to Supplier Pools for Usage Imbalances.

Delivery Imbalances for Supplier Groups, or End-Use Customers acting as their own Supply Agent, arising from differences in the level of Daily Gas Supply Nominations compared to the level of Daily Gas Supply Deliveries to the Utility's gas system, will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier, in a Supplier Group, or End-Use Customers acting as their own Supply Agent. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Non-Performance No. A4.

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GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Usage Imbalances for Supplier Groups, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in the Supplier Group, will be monitored, combined and netted, on a monthly basis. Unless an Operational Flow Order is issued, all monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Usage Balancing Service, under Gas Rate No. A2. In the event of an Operational Flow Order, monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Non-Performance Charges, under Gas Rate No. A4.

Basic Usage Imbalances, for Basic Delivery Service Customers, arising from differences in the level of Daily Gas Supply Deliveries compared to the level of gas consumed by the End-Use Customer, will be monitored for End-Use Customers acting as their own Supply Agent, or combined and netted, on a daily basis, for all End-Use Customers in a single Supplier Group. All daily net Basic Usage Imbalances will be calculated daily and charged, at month end, to 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, through Basic Usage Balancing Service, under Gas Rate No. A3.

Banking Service

All End-Use Customers contracting with 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, will be granted Customer Banking Volumes for use throughout the year.

Customer Banking Volumes will be granted periodically by the Utility to each End-Use Customer based on the ratio of the End-Use Customer's winter season (November through March) consumption to total Utility winter season throughput, both for the preceding heating season, times the storage capacity available for banking. New End-Use Customers will be granted Customer Banking Volumes based on usage of similar End-Use Customers, if more specific information is not available.

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GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

If the End-Use Customer elects to change 3rd Party Suppliers, Customer Banking Volumes will remain with the End-Use Customer and will transfer from the former 3rd Party Supplier to the new 3rd Party Supplier, effective at the same time as the change in 3rd Party Supplier.

Incremental Banking Service

During the Election Period, the Utility will make available Incremental Banking Volumes, through Incremental Banking Service, under Gas Rate No. A9, to all End-Use Customers purchasing gas supply from a 3rd Party Supplier, End-Use Customers acting as their own Supply Agent, or a 3rd Party Supplier. Requirements for use of Incremental Banking Volumes acquired by 3rd Party Supplier or End-Use Customers either are identical to standard Banking Volumes as described below or are in accordance with the nondiscrimination standards determined by the Utility.

Nomination of Customer Banking Volumes

End-Use Customers' daily Banking Volume Injections or Withdrawals will be designated by their 3rd Party Supplier or End-Use Customers acting as their own Supply Agent. All Customer Banking Volumes requested to be injected or withdrawn must be nominated by the 3rd Party Supplier or End-Use Customers acting as their own Supply Agent by the end of the gas day in accordance with the required nomination procedures as described in the Terms and Conditions for Gas Service. Subject to the limitations described below, the Banking Injection or Withdrawal Nominations will be confirmed, in total or in part, at the sole discretion of the Utility.

Confirmed Banking Injection or Withdrawal Nominations will be used in the determination of Delivery and Usage Imbalances.

The Customer Banking Volume injection period will be the period from April 1 through October 31, inclusive. Customer Banking Volume injections shall not be permitted from November 1 through March 31. By October 31 of each year, all Banking Injection Nominations must have been delivered to the Utility's City Gate. The maximum Banking Volume Injection Quantity ("BVIQ") is one-one hundred and fiftieth (1/150) of the Customer Banking Volume, less remaining inventory from the previous year. Banking Withdrawal and Injection Nominations will be done ratably, or in accordance with the Utility's operational needs.

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GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Permission for Banking Injection Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

If the granted Customer Banking Volume level is not reached by October 31, the Utility will purchase and inject the volume of Gas necessary to bring the Customer Banking Volume inventory to the assigned level and the End-Use Customer will be charged for that volume in accordance with the provisions of Gas Rate No. A2.

The Customer Banking Volume withdrawal period will be the period from November 1 through March 31, inclusive. Banking Withdrawal Nominations shall not be permitted from April 1 through October 31. The maximum Banking Volume Withdrawal Quantity ("BVWQ"), on any one day, shall be calculated as one-seventy fifth (1/75) of the granted Customer Banking Volumes. Banking Injection and Withdrawal Nominations will be done ratably or in accordance with the Utility's operational needs.

The BVWQ will be reduced as the withdrawal period progresses in accordance with the following table:

Applicable Dates	Maximum Daily Banking Withdrawal Quantity
Nov. 1 – Dec. 31	100% of BVWQ
Jan. 1 – Jan. 15	75% of BVWQ
Jan. 16 – Feb. 15	50% of BVWQ
Feb. 16 – Mar. 31	25% of BVWQ

Permission for Banking Withdrawal Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Customer Banking Volumes must be maintained at or above minimum Customer Banking Volume inventory levels, expressed as a percentage of total Customer Banking Volumes, over the winter season, in accordance with the following table:

Date	Minimum Customer Banking Volume Inventory % of Total Capacity
At January 31	19%
At February 28	9%

No End-Use Customers will be allowed to switch back to Variable-Rate Gas Supply Service under Gas Rate No. S1 during the winter season, unless the required minimum Customer Banking Volume Inventory balances noted above are maintained.

Up to 5% of Customer Banking Volumes may remain in inventory at the end of the withdrawal period (March 31) without penalty. If more than 5% of Customer Banking Volumes is left in inventory at the end of the withdrawal period, the Utility will purchase from the End-Use Customer all remaining Customer Banking Volumes above the 5% allowance. The purchase price will be the lesser of 90% of the applicable Variable-Rate Gas Supply Service, for the current month, under Gas Rate No. S1, or 90% of the Utility's Storage WACOG at March 31.

Supply of Last Resort

If the 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent, defaults, as indicated by its failure to nominate and/or deliver gas supplies for three consecutive days, End-Use Customers who have contracted for gas supply services from 3rd Party Suppliers, or are acting as their own Supply Agent, will have access to Supply of Last Resort Service from the Utility, under Gas Rate No. S3, if available. Supply of Last Resort Service, if available, will be provided until the first day of the End-Use Customer's next billing cycle, at which time Variable Rate Gas Supply Service, under Gas Rate No. S1, will apply for a minimum of one billing cycle, subject to the Utility's discretion. If End-Use Customers do not have Automated Meter Reading devices, usage applicable to Supply of Last Resort Service will be prorated.

GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Nominations

3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own supply Agent, will be required to provide an estimate of Daily Gas Supply Nominations for the following month to the Utility by the required date, as stated in the Terms and Conditions for Gas Service, prior to the beginning of the month. 3rd Party suppliers of End-Use Customers in a Supplier Group or Supplier Pool, and End Use Customers acting as their own Supply Agent, also will be required to provide Daily Gas Supply Nominations to the Utility, as stated in the Terms and Conditions for Gas Service. The Utility retains the right to refuse Daily Gas Supply Nominations that vary significantly from the estimated daily nomination previously provided to the Utility.

Except as otherwise provided herein, 3rd Party Suppliers of Supplier Groups and Supplier Pools, and End-Use Customers acting as their own Supply Agent are required to provide 50% of their Daily Gas Supply Nominations on the Panhandle Eastern Pipe Line and the remaining 50% on the Texas Gas Transmission Pipe Line and/or Heartland Gas Pipe Line (in any combination) at the 3rd Party Supplier's level.

Non-Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue a Non-Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If a Non-Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Non-Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Non-Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

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GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue an Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If an Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4

Unaccounted-For Gas and Company Use Gas

The Utility will retain the allowances for Unaccounted-For Gas and Company Use Gas of the volumes tendered for delivery to the End-Use Customer for Company Use Gas as approved by the Commission in Gas Rate No. S4.

Company Use Gas

The Utility will retain 0.6% of the volumes tendered for delivery to the End-Use Customer for Company Use Gas.

Curtailment

Service under this rate schedule may be curtailed, as described in Terms and Conditions for Gas Service. If a Curtailment is declared, the Utility will notify End-Use Customers, and 3rd Party Suppliers, as soon as practicable, but not less than 30 minutes prior to the effective time. End-Use Customers may be directed to restrict their Gas consumption on an hourly or daily basis. End-Use Customers who do not comply with the Utility's request may be subject to Non-Performance Charges, under Gas Rate No. A4, for all Gas taken in excess of the Utility's order.

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GAS RATE NO. D5

LARGE VOLUME DELIVERY SERVICE

APPLICABILITY:

This rate schedule applies to all Gas delivered in a Month or any portion thereof for consumption for a single End-Use Customer through one or more Meters supplying a single Premise where the End-Use Customer used a minimum of 300,000 Therms of Gas during the twelve (12) Months prior to initiation of Gas Delivery Service under this rate schedule or, in the Utility's sole judgment, is expected to use such minimum Gas volume level during the first twelve (12) Months of service under this rate schedule.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D5, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

Meter Class I - \$50.00 Per Meter Per Month
Meter Class II - \$150.00 Per Meter Per Month
Meter Class III - \$600.00 Per Meter Per Month

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 4346342767

Effective: September 1, 2007

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

METER CLASSIFICATIONS:

<u>Meter Class I</u> (CF/Hour)	<u>Meter Class II</u> (CF/Hour)	<u>Meter Class III</u> (CF/Hour)
250	8C	5000
425	800	5M
	1000	7M
	1400	11M
	2300	16M
	3000	23M
	1.5M	38M
	3M	56M
		102M
		4 Turbo
		6 Turbo
		8 Turbo
		12 Turbo

DEMAND CHARGE:

\$90.5000-4157 Per Therm of Billing Demand Per Month

Billing demand is determined as the highest average daily consumption during any one of the previous billing months of November, December, January, February and March. Billing demands will be adjusted annually, with bills issued for April consumption.

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 4346342767

Effective: September 1, 2007

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

DELIVERY CHARGE:

\$0.07920-0349 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution / Universal Service Program from Rider C shall apply to all Therms delivered.

BASIC DELIVERY OPTION:

End-Use Customers are eligible to elect the Basic Delivery Service Option, in accordance with the Utility's requirements. End-Use Customers choosing the Basic Delivery Service Option must select a 3rd Party Supplier for gas supply service, or act as their own Supply Agent.

Basic Delivery Service charges are as follows:

\$0.06230-0275 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution / Universal Service Program from Rider C shall apply to all Therms delivered.

End-Use Customers choosing the Basic Delivery Service Option must have Automatic Meter Reading Devices (AMR), provided by the Utility through Information Service, under Gas Rate No. A7.

GAS SUPPLY:

This rate schedule and the above-stated charges or adjustments do not provide for a supply of Gas. Gas Supply is available from the Utility through Variable-Rate Gas Supply Service, under Gas Rate No. S1.

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 4346342767

Effective: September 1, 2007

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

End-Use Customers choosing not to make a gas supply selection, either from the Utility, or from a 3rd Party Supplier, will receive Variable-Rate Gas Supply Service under Gas Rate No. S1.

End-Use Customers electing the Basic Delivery Service Option are eligible, but are not required, to act as their own Supply Agent. As a Supply Agent, they must be an approved bidder on CMS Panhandle Eastern Pipe Line and/or Texas Gas Transmission or their successors and are expected to perform all responsibilities normally handled by 3rd Party Suppliers. These include, but are not limited to, forecasting gas supply volumes, making pipeline and Utility Daily Gas Supply Nominations, and balancing their nominations, deliveries and usage. End-Use Customers acting as their own Supply Agent are responsible for charges for Supply Administration Service, under Gas Rate No. A1, as well as for Basic Usage Balancing Service, under Gas Rate No. A3, and, if applicable, Non-Performance Charges, under Gas Rate No. A4.

GAS SUPPLY FROM 3RD PARTY SUPPLIERS:

End-Use Customers may choose a 3rd Party Supplier to furnish a supply of Gas in accordance with the Utility's requirements. It is the End-Use Customer's responsibility to ensure that the 3rd Party Supplier delivers the directed proportion of gas supplies at delivery points designated by the Utility.

The Utility also reserves the right to bill the End-Use Customer at appropriate Gas Supply Service rates for Gas consumed in excess of Daily Gas Supply Deliveries, following cessation of any agreement with a 3rd Party Supplier.

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

Back-up Gas Supply Service, under Gas Rate No. S2, is available from the Utility to End-Use Customers for each Single Account with an annual usage at a single meter greater than 50,000 Therms, and either choosing a 3rd Party Supplier or acting as their own Supply Agent. Back-up Gas Supply Service provides for reservation of a designated level of pipeline capacity and gas supply to be available on a daily basis, in order to provide an additional measure of gas supply security. Back-up Gas Supply Service is only available to those customers choosing the Basic Delivery option and who have not opted out of Banking.

Following expiration of their contracts with 3rd Party Suppliers, and with appropriate notice, as described in the accompanying Terms and Conditions for Gas Service, End-Use Customers may choose to purchase Gas Supply from the Utility under Gas Rate No. S1, with the Utility's approval.

End-Use Customers may switch 3rd Party Suppliers once each calendar year at no charge, but will not be permitted to switch from 3rd Party Supplier to System Supply or vice versa more than one time per 12-month period. End-Use Customers who switch 3rd Party Suppliers more than once each calendar year will be subject to Switching Charges, under Gas Rate No. A8.

Gas Imbalance Provisions

Delivery Imbalances for Supplier Groups, or End-Use Customers acting as their own Supply Agent, arising from differences in the level of Daily Gas Supply Nominations compared to the level of Daily Gas Supply Deliveries will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier, in a Supplier Group, or End-Use Customers acting as their own Supply Agent. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Non-Performance Charges, under Gas Rate No. A4.

Usage Imbalances for Supplier Groups, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in the Supplier Group, will be monitored, combined and netted, on a monthly basis. Unless an Operational Flow Order is issued, all monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Usage Balancing Service, under Gas Rate No. A2. In the event of an Operational Flow Order, monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Non-Performance Charges, under Gas Rate No. A4.

Current rates effective pursuant to
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Effective: September 1, 2007

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

In addition to the Basic Delivery Service Charges applicable to End-Use Customers selecting Basic Delivery Service, Basic Usage Imbalances, for Basic Delivery Service customers, arising from differences in the level of Daily Gas Supply Deliveries compared to the level of gas consumed by the End-Use Customer, will be monitored for End-Use Customers acting as their own Supply Agent, or combined and netted, on a daily basis, for all End-Use Customers in a single Supplier Group. All daily net Basic Usage Imbalances will be calculated daily and charged, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Basic Usage Balancing Service, under Gas Rate No. A3.

Banking Service

All End-Use Customers contracting with 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, will be granted Customer Banking Volumes for use throughout the year.

Customer Banking Volumes will be granted periodically by the Utility to each End-Use Customer based on the ratio of the End-Use Customer's winter season (November through March) consumption to total Utility winter season throughput, both for the preceding heating season times storage capacity available for banking. New End-Use Customers will be granted Customer Banking Volumes based on usage of similar End-Use Customers, if more specific information is not available.

If the End-Use Customer elects to change 3rd Party Suppliers, Customer Banking Volumes will remain with the End-Use Customer and will transfer from the former 3rd Party Supplier to the new 3rd Party Supplier, effective at the same time as the change in 3rd Party Supplier.

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

Banking Service Option

End-Use Customers selecting Basic Delivery Service, with annual usage in excess of 1,000,000 Therms, may opt-out of Banking Service on an annual basis in accordance with the following procedures. An eligible End-Use Customer must sign an agreement with the Utility to verify its intent to opt-out of Banking Service. Elections must occur during the Election Period, and are in force for a minimum twelve-month period. Elections become effective beginning April 1 and remain effective through March 31 of subsequent years, until the End-Use Customer requests to re-elect Banking Service during an Election Period. The End-Use Customer's ability to re-elect Banking Service is subject to the Utility's determination that sufficient interstate pipeline capacity, and/or on-system storage capacity, either exists, or can be procured by the Utility. Any costs incurred by the Utility to arrange for a re-election to Banking Service will be charged to the End-Use Customer returning. A reasonable estimate of the costs will be provided to the End-Use Customer before the End-Use Customer decides whether to re-elect Banking Service.

Basic Delivery Service charges for End-Use Customers that have opted-out of Banking Service are as follows:

\$0.05600-0195 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution/ Universal Service Program from Rider C shall apply to all Therms delivered.

Incremental Banking Service

During the Election Period, the Utility will make available Incremental Banking Volumes, through Incremental Banking Service, under Gas Rate No. A9, to all End-Use Customers purchasing gas supply from a 3rd Party Supplier, End-Use Customers acting as their own Supply Agent or 3rd Party Suppliers. Requirements for use of Incremental Banking Volumes acquired by 3rd Party Suppliers or End-Use Customers either are identical to standard Banking Volumes as described below, or are in accordance with non-discriminatory standards determined by the Utility. Incremental Banking Service is only available to those customers who have not opted out of banking.

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

Nomination of Customer Banking Volumes

End-Use Customers' daily Banking Volume Injections or Withdrawals will be designated by their 3rd Party Supplier or End-Use Customers acting as their own Supply Agent. All Customer Banking Volumes requested to be injected or withdrawn must be nominated by the 3rd Party Supplier or End-Use Customers acting as their own Supply Agent, by the end of the gas day, in accordance with the required nomination procedures as described in the Terms and Conditions for Gas Service. Subject to the limitations described below, the Banking Injection or Withdrawal Nominations will be confirmed, in total or part, in the sole discretion of the Utility.

Confirmed Banking Injection or Withdrawal Nominations will be used in the determination of Delivery and Usage Imbalances.

The Customer Banking Volume injection period will be the period from April 1 through October 31, inclusive. Customer Banking Volume injections shall not be permitted from November 1 through March 31. By October 31 of each year, all Banking Injection Nominations must have been delivered to the Utility's City Gate. The maximum Banking Volume Injection Quantity ("BVIQ") is one-one hundred and fiftieth (1/150) of the Customer Banking Volume, less remaining inventory from the previous year. Banking Withdrawal and Injection Nominations will be done ratably, or in accordance with the Utility's operational needs.

Permission for Banking Injection Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

If the granted Customer Banking Volume level is not reached by October 31, the Utility will purchase and inject the volume of Gas necessary to bring the Customer Banking Volume inventory to the assigned level and the End-Use Customer will be charged for that volume in accordance with the provisions of Gas Rate No. A2.

The Customer Banking Volume withdrawal period will be the period from November 1 through March 31, inclusive. Banking Withdrawal Nominations shall not be permitted from April 1 through October 31. The maximum Banking Volume Withdrawal Quantity ("BVWQ"), on any one day, shall be calculated as one-seventy fifth (1/75) of the granted Customer Banking Volumes. Banking Injection and Withdrawal Nominations will be done ratably or in accordance with the Utility's operational needs.

The BVWQ will be reduced as the withdrawal period progresses in accordance with the following table:

Applicable Dates	Maximum Daily Banking Withdrawal Quantity
Nov. 1 – Dec. 31	100% of BVWQ
Jan. 1 – Jan. 15	75% of BVWQ
Jan. 16 – Feb. 15	50% of BVWQ
Feb. 16 – March 31	25% of BVWQ

Permission for Banking Withdrawal Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

Customer Banking Volumes must be maintained at or above minimum Customer Banking Volume inventory levels, expressed as a percentage of total Customer Banking Volumes, over the winter season, in accordance with the following table:

Date	Minimum Customer Banking Volume Inventory % of Total Capacity
At January 31	19%
At February 28	9%

No End-Use Customers will be allowed to switch back to Variable-Rate Gas Supply Service, under Gas Rate No. S1 during the winter season, unless the required minimum Customer Banking Volume Inventory balances noted above are maintained.

Up to 5% of Customer Banking Volumes may remain in inventory at the end of the withdrawal period (March 31) without penalty. If more than 5% of Customer Banking Volumes is left in inventory at the end of the withdrawal period, the Utility will purchase from the End-Use Customer all remaining Customer Banking Volumes above the 5% allowance. The purchase price will be the lesser of 90% of the applicable Variable-Rate Gas Supply Service, for the current month, under Gas Rate No. S1, or 90% of the Utility's Storage WACOG at March 31.

Supply of Last Resort

If the 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent, defaults, as indicated by its failure to nominate and/or deliver gas supplies for three consecutive days, End-Use Customers who have contracted for gas supply services from 3rd Party Suppliers, or are acting as their own Supply Agent, will have access to Supply of Last Resort Service from the Utility, under Gas Rate

GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

No. S3, if available. Supply of Last Resort Service, if available, will be provided until the first day of the End-Use Customer's next billing cycle, at which time Variable Rate Gas Supply Service, under Gas Rate No. S1, will apply for a minimum of one billing cycle, subject to the Utility's discretion. If End-Use Customers do not have Automated Meter Reading devices, usage applicable to Supply of Last Resort Service will be prorated.

Nominations

3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own Supply Agent, will be required to provide an estimate of Daily Gas Supply Nominations for the following month to the Utility by the required date, as stated in the Terms and Conditions for Gas Service, prior to the beginning of the month. 3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own Supply Agent, also will be required to provide Daily Gas Supply Nominations to the Utility, as stated in the Terms and Conditions for Gas Service. The Utility retains the right to refuse Daily Gas Supply Nominations that vary significantly from the estimated daily nomination previously provided to the Utility.

Except as otherwise provided herein, 3rd Party Suppliers of Supplier Groups and Supplier Pools, and End-Use Customers acting as their own Supply Agent, are required to provide 50% of their Daily Gas Supply Nominations on the Panhandle Eastern Pipe Line and the remaining 50% on the Texas Gas Transmission Pipe Line and/or Heartland Gas Pipe Line (in any combination), at the 3rd Party Supplier's level. The Utility will allow, on a first-come, first-served basis, End-Use Customers with annual usage greater than 1,000,000 Therms, to notify the Utility, in writing, of an intent to nominate volumes that do not comply with the previously stated requirement regarding nomination amounts on all interstate pipelines connected to the Utility's distribution system. The initial total usage of End-Use Customers that can be exempt from the requirement is 5 Bcf. As participating End-Use Customers change their nomination practices to comply with the Utility's requirement, the Utility will open a 30-day sign-up period, allocated on a first-come, first-served basis, for additional End-Use Customers interested in nominating volumes that do not comply with the Utility's requirement.

GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

Non-Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue a Non-Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If a Non-Economic OFO is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Non-Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Non-Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue an Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If an Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Unaccounted-For Gas and Company Use Gas

The Utility will retain the allowances for Unaccounted-For Gas and Company Use Gas of the volumes tendered for delivery to the End-Use Customer for Company Use Gas as approved by the Commission in Gas Rate No. S4.

Company Use Gas

The Utility will retain 0.6% of the volumes tendered for delivery to the End Use Customer for Company Use Gas.

Curtailment

Service under this rate schedule may be curtailed, as described in Terms and Conditions for Gas Service. If a Curtailment is declared, the Utility will notify End-Use Customers, and 3rd Party Suppliers, as soon as practicable, but not less than 30 minutes prior to the effective time. End-Use Customers may be directed to restrict their Gas consumption on an hourly or daily basis. End-Use

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

Customers who do not comply with the Utility's request may be subject to Non-Performance Charges, under Gas Rate No. A4, for all Gas taken in excess of the Utility's order.

Current rates effective pursuant to
I.U.R.C. Order in Cause No.- 4346342767

Effective: September 1, 2007

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GAS RATE NO. D7

COMPRESSED NATURAL GAS DELIVERY SERVICE (CNG)

APPLICABILITY:

This rate schedule applies to all Gas delivered in a month or any portion thereof for a single End-Use Customer through one Meter supplying a single Premise for purposes limited exclusively to the conversion of such Gas to compressed natural Gas for use in fueling motorized vehicles. The customer shall not use the Gas delivered under this rate for any other purpose.

SPECIAL PROVISIONS:

All Gas served hereunder to the CNG facility must be metered separately from any other gas consuming equipment located on the premises, and will be billed separately and independently of any other usage through such equipment.

The customer shall be responsible for payment of all federal, state and local taxes. The customer shall reimburse the Utility for all taxes payable by the Utility to governmental bodies on the sale of natural gas for use as CNG.

Incorporated herein, and made part of this Gas Rate No. D7, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

\$100.00~~70.00~~ Per Month

The facilities charge is only applicable where natural gas is provided to a customer operating a CNG facility. No facilities charge shall apply if the Utility owns and operates the CNG facility.

Current base rates effective pursuant to
I.U.R.C. Order in Cause No. 4276743463

Effective: ~~October 23, 2006~~

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GAS RATE NO. D7 – COMPRESSED NATURAL GAS DELIVERY SERVICE (CNG)
(Cont'd)

DISTRIBUTION CHARGE:

For natural gas provided to a CNG facility:

\$0.7101 -2006 Per Therm

In addition, applicable Balancing Charges from Rider A and the Customer Benefit Distribution/Universal Service Program from Rider C will apply to all Therms delivered.

GAS SUPPLY:

This rate schedule and the above-stated charges do not provide for a supply of gas. Gas Supply is available from the Utility under Gas Rate No. S1. End-Use Customers also may, if eligible, choose a 3rd Party Supplier to furnish a supply of gas in accordance with the Utility's requirements. Customers failing to make a supply selection will receive Gas Supply under Gas Rate No. S1, Variable-Rate Gas Supply Service.

GAS RATE NO. D9

HIGH LOAD DELIVERY SERVICE

APPLICABILITY:

This rate schedule applies to all Gas delivered in a Month or any portion thereof for consumption for a single End-Use Customer through one or more Meters supplying a single Premise where the End-Use Customer used a minimum of 2,000,000 Therms of Gas with a load factor (i.e., average daily Gas usage divided by billing demand) of greater than 50% during the twelve (12) Months prior to initiation of Gas Delivery Service under this rate schedule or, in the Utility's sole judgment, is expected to use such minimum Gas volume level during the first twelve (12) Months of service under this rate schedule.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D9, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

Meter Class I - \$50.00 Per Meter Per Month
Meter Class II - \$150.00 Per Meter Per Month
Meter Class III - \$600.00 Per Meter Per Month

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GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

METER CLASSIFICATIONS:

<u>Meter Class I</u> (CF/Hour)	<u>Meter Class II</u> (CF/Hour)	<u>Meter Class III</u> (CF/Hour)
250	8C	5000
425	800	5M
	1000	7M
	1400	11M
	2300	16M
	3000	23M
	1.5M	38M
	3M	56M
		102M
		4 Turbo
		6 Turbo
		8 Turbo
		12 Turbo

DEMAND CHARGE:

\$0.50000-4157 Per Therm of Billing Demand Per Month

Billing demand is determined as the highest average daily consumption during any one of the previous billing months of November, December, January, February and March. Billing demands will be adjusted annually, with bills issued for April consumption.

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I.U.R.C. Order in Cause No. 42767 43463

Effective: September 1, 2007

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

DELIVERY CHARGE:

\$0.05060.0349 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution / Universal Service Program from Rider C shall apply to all Therms delivered.

BASIC DELIVERY OPTION:

End-Use Customers are eligible to elect the Basic Delivery Service Option, in accordance with the Utility's requirements. End-Use Customers choosing the Basic Delivery Service Option must select a 3rd Party Supplier for gas supply service, or act as their own Supply Agent

Basic Delivery Service charges are as follows:

\$0.03990.0275 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution / Universal Service Program from Rider C shall apply to all Therms delivered.

End-Use Customers choosing the Basic Delivery Service Option must have Automatic Meter Reading Devices (AMR), provided by the Utility through Information Service, under Gas Rate No. A7.

GAS SUPPLY:

This rate schedule and the above-stated charges or adjustments do not provide for a supply of Gas. Should supply of Gas be required, End-Use Customer must transfer to Gas Rate No. D5. If customer transfers to D5 – Gas Supply is available from the Utility through Variable-Rate Gas Supply Service, under Gas Rate No. S1.

~~End Use Customers choosing not to make a gas supply selection, either from the Utility, or from a 3rd Party Supplier, will receive Variable Rate Gas Supply Service under Gas Rate No. S1.~~

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

End-Use Customers electing the Basic Delivery Service Option are eligible, but are not required, to act as their own Supply Agent. As a Supply Agent, they must be an approved bidder on CMS Panhandle Eastern Pipe Line and/or Texas Gas Transmission or their successors and are expected to perform all responsibilities normally handled by 3rd Party Suppliers. These include, but are not limited to, forecasting gas supply volumes, making pipeline and Utility Daily Gas Supply Nominations, and balancing their nominations, deliveries and usage. End-Use Customers acting as their own Supply Agent are responsible for charges for Supply Administration Service, under Gas Rate No. A1, as well as for Basic Usage Balancing Service, under Gas Rate No. A3, and, if applicable, Non-Performance Charges, under Gas Rate No. A4.

GAS SUPPLY FROM 3RD PARTY SUPPLIERS:

| End-Use Customers ~~will~~may choose a 3rd Party Supplier to furnish a supply of Gas in accordance with the Utility's requirements. It is the End-Use Customer's responsibility to ensure that the 3rd Party Supplier delivers the directed proportion of gas supplies at delivery points designated by the Utility.

| The Utility also reserves the right to bill the End-Use Customer at appropriate Balancing Service Gas Supply Service rates for Gas consumed in excess of Daily Gas Supply Deliveries, following cessation of any agreement with a 3rd Party Supplier if an agreement has not been reached with another 3rd Party Supplier to immediately initiate deliveries on behalf of the End-Use.

Back-up Gas Supply Service, under Gas Rate No. S2, is available from the Utility to End-Use Customers for each Single Account with an annual usage at a single meter greater than 50,000 Therms, and either choosing a 3rd Party Supplier or acting as their own Supply Agent. Back-up Gas Supply Service provides for reservation of a designated level of pipeline capacity and gas supply to be available on a daily basis, in order to provide an additional measure of gas supply security. Back-up Gas Supply Service is only available to those customers choosing the Basic Delivery option and who have not opted out of Banking.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

~~Following expiration of their contracts with 3rd Party Suppliers, and with appropriate notice, as described in the accompanying Terms and Conditions for Gas Service, End-Use Customers may choose to purchase Gas Supply from the Utility under Gas Rate No. S1, with the Utility's approval.~~

End-Use Customers may switch 3rd Party Suppliers once each calendar year at no charge, but will not be permitted to switch from 3rd Party Supplier to System Supply or vice versa more than one time per 12-month period. End-Use Customers who switch 3rd Party Suppliers more than once each calendar year will be subject to Switching Charges, under Gas Rate No. A8.

Gas Imbalance Provisions

Delivery Imbalances for Supplier Groups, or End-Use Customers acting as their own Supply Agent, arising from differences in the level of Daily Gas Supply Nominations compared to the level of Daily Gas Supply Deliveries will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier, in a Supplier Group, or End-Use Customers acting as their own Supply Agent. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Non-Performance Charges, under Gas Rate No. A4.

Usage Imbalances for Supplier Groups, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in the Supplier Group, will be monitored, combined and netted, on a monthly basis. Unless an Operational Flow Order is issued, all monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Usage Balancing Service, under Gas Rate No. A2. In the event of an Operational Flow Order, monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Non-Performance Charges, under Gas Rate No. A4.

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GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

In addition to the Basic Delivery Service Charges applicable to End-Use Customers selecting Basic Delivery Service, Basic Usage Imbalances, for Basic Delivery Service customers, arising from differences in the level of Daily Gas Supply Deliveries compared to the level of gas consumed by the End-Use Customer, will be monitored for End-Use Customers acting as their own Supply Agent, or combined and netted, on a daily basis, for all End-Use Customers in a single Supplier Group. All daily net Basic Usage Imbalances will be calculated daily and charged, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Basic Usage Balancing Service, under Gas Rate No. A3.

Banking Service

All End-Use Customers contracting with 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, will be granted Customer Banking Volumes for use throughout the year.

Customer Banking Volumes will be granted periodically by the Utility to each End-Use Customer based on the ratio of the End-Use Customer's winter season (November through March) consumption to total Utility winter season throughput, both for the preceding heating season times storage capacity available for banking. New End-Use Customers will be granted Customer Banking Volumes based on usage of similar End-Use Customers, if more specific information is not available.

If the End-Use Customer elects to change 3rd Party Suppliers, Customer Banking Volumes will remain with the End-Use Customer and will transfer from the former 3rd Party Supplier to the new 3rd Party Supplier, effective at the same time as the change in 3rd Party Supplier.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

Banking Service Option

End-Use Customers receiving service under this rate schedule and selecting Basic Delivery Service, may opt-out of Banking Service on an annual basis in accordance with the following procedures. An eligible End-Use Customer must sign an agreement with the Utility to verify its intent to opt-out of Banking Service. Elections must occur during the Election Period, and are in force for a minimum twelve-month period. Elections become effective beginning April 1 and remain effective through March 31 of subsequent years, until the End-Use Customer requests to re-elect Banking Service during an Election Period. The End-Use Customer's ability to re-elect Banking Service is subject to the Utility's determination that sufficient interstate pipeline capacity, and/or on-system storage capacity, either exists, or can be procured by the Utility. Any costs incurred by the Utility to arrange for a re-election to Banking Service will be charged to the End-Use Customer returning. A reasonable estimate of the costs will be provided to the End-Use Customer before the End-Use Customer decides whether to re-elect Banking Service.

Basic Delivery Service charges for End-Use Customers that have opted-out of Banking Service are as follows:

\$0.03360-0195 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution/ Universal Service Program from Rider C shall apply to all Therms delivered.

Incremental Banking Service

During the Election Period, the Utility will make available Incremental Banking Volumes, through Incremental Banking Service, under Gas Rate No. A9, to all End-Use Customers purchasing gas supply from a 3rd Party Supplier, End-Use Customers acting as their own Supply Agent or 3rd Party Suppliers. Requirements for use of Incremental Banking Volumes acquired by 3rd Party Suppliers or End-Use Customers either are identical to standard Banking Volumes as described below, or are in accordance with non-discriminatory standards determined by the Utility. Incremental Banking Service is only available to those customers who have not opted out of banking.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

Nomination of Customer Banking Volumes

End-Use Customers' daily Banking Volume Injections or Withdrawals will be designated by their 3rd Party Supplier or End-Use Customers acting as their own Supply Agent. All Customer Banking Volumes requested to be injected or withdrawn must be nominated by the 3rd Party Supplier or End-Use Customers acting as their own Supply Agent, by the end of the gas day, in accordance with the required nomination procedures as described in the Terms and Conditions for Gas Service. Subject to the limitations described below, the Banking Injection or Withdrawal Nominations will be confirmed, in total or part, in the sole discretion of the Utility.

Confirmed Banking Injection or Withdrawal Nominations will be used in the determination of Delivery and Usage Imbalances.

The Customer Banking Volume injection period will be the period from April 1 through October 31, inclusive. Customer Banking Volume injections shall not be permitted from November 1 through March 31. By October 31 of each year, all Banking Injection Nominations must have been delivered to the Utility's City Gate. The maximum Banking Volume Injection Quantity ("BVIQ") is one-one hundred and fiftieth (1/150) of the Customer Banking Volume, less remaining inventory from the previous year. Banking Withdrawal and Injection Nominations will be done ratably, or in accordance with the Utility's operational needs.

Permission for Banking Injection Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

If the granted Customer Banking Volume level is not reached by October 31, the Utility will purchase and inject the volume of Gas necessary to bring the Customer Banking Volume inventory to the assigned level and the End-Use Customer will be charged for that volume in accordance with the provisions of Gas Rate No. A2.

The Customer Banking Volume withdrawal period will be the period from November 1 through March 31, inclusive. Banking Withdrawal Nominations shall not be permitted from April 1 through October 31. The maximum Banking Volume Withdrawal Quantity ("BVWQ"), on any one day, shall be calculated as one-seventy fifth (1/75) of the granted Customer Banking Volumes. Banking Injection and Withdrawal Nominations will be done ratably or in accordance with the Utility's operational needs.

The BVWQ will be reduced as the withdrawal period progresses in accordance with the following table:

Applicable Dates	Maximum Daily Banking Withdrawal Quantity
Nov. 1 – Dec. 31	100% of BVWQ
Jan. 1 – Jan. 15	75% of BVWQ
Jan. 16 – Feb. 15	50% of BVWQ
Feb. 16 – March 31	25% of BVWQ

Permission for Banking Withdrawal Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

Customer Banking Volumes must be maintained at or above minimum Customer Banking Volume inventory levels, expressed as a percentage of total Customer Banking Volumes, over the winter season, in accordance with the following table:

Date	Minimum Customer Banking Volume Inventory % of Total Capacity
At January 31	19%
At February 28	9%

No End-Use Customers will be allowed to switch back to Variable-Rate Gas Supply Service, under Gas Rate No. S1 during the winter season, unless the required minimum Customer Banking Volume Inventory balances noted above are maintained.

Up to 5% of Customer Banking Volumes may remain in inventory at the end of the withdrawal period (March 31) without penalty. If more than 5% of Customer Banking Volumes is left in inventory at the end of the withdrawal period, the Utility will purchase from the End-Use Customer all remaining Customer Banking Volumes above the 5% allowance. The purchase price will be the lesser of 90% of the applicable Variable-Rate Gas Supply Service, for the current month, under Gas Rate No. S1, or 90% of the Utility's Storage WACOG at March 31.

Supply of Last Resort

If the 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent, defaults, as indicated by its failure to nominate and/or deliver gas supplies for three consecutive days, End-Use Customers who have contracted for gas supply services from 3rd Party Suppliers, or are acting as their own Supply Agent, will have access to Supply of Last Resort Service from the Utility, under Gas Rate

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

No. S3, if available. Supply of Last Resort Service, if available, will be provided until another 3rd party supplier can be arranged the first day of the End-Use Customer's next billing cycle, at which time Variable Rate Gas Supply Service, under Gas Rate No. S1, will apply for a minimum of one billing cycle, subject to the Utility's discretion. If End-Use Customers do not have Automated Meter Reading devices, usage applicable to Supply of Last Resort Service will be prorated.

Nominations

3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own Supply Agent, will be required to provide an estimate of Daily Gas Supply Nominations for the following month to the Utility by the required date, as stated in the Terms and Conditions for Gas Service, prior to the beginning of the month. 3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own Supply Agent, also will be required to provide Daily Gas Supply Nominations to the Utility, as stated in the Terms and Conditions for Gas Service. The Utility retains the right to refuse Daily Gas Supply Nominations that vary significantly from the estimated daily nomination previously provided to the Utility.

Except as otherwise provided herein, 3rd Party Suppliers of Supplier Groups and Supplier Pools, and End-Use Customers acting as their own Supply Agent, are required to provide 50% of their Daily Gas Supply Nominations on the Panhandle Eastern Pipe Line and the remaining 50% on the Texas Gas Transmission Pipe Line and/or Heartland Gas Pipe Line (in any combination), at the 3rd Party Supplier's level. The Utility will allow, on a first-come, first-served basis, End-Use Customers with annual usage greater than 1,000,000 Therms, to notify the Utility, in writing, of an intent to nominate volumes that do not comply with the previously stated requirement regarding nomination amounts on all interstate pipelines connected to the Utility's distribution system. The initial total usage of End-Use Customers that can be exempt from the requirement is 5 Bcf. As participating End-Use Customers change their nomination practices to comply with the Utility's requirement, the Utility will open a 30-day sign-up period, allocated on a first-come, first-served basis, for additional End-Use Customers interested in nominating volumes that do not comply with the Utility's requirement.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

Non-Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue a Non-Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If a Non-Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Non-Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Non-Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue an Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If an Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Unaccounted-For Gas and Company Use Gas

The Utility will retain the allowances for Unaccounted-For Gas and Company Use Gas of the volumes tendered for delivery to the End-Use Customer for Company Use Gas as approved by the Commission in Gas Rate No. S4.

Company Use Gas

The Utility will retain 0.6% of the volumes tendered for delivery to the End-Use Customer for Company Use Gas.

Curtailment

Service under this rate schedule may be curtailed, as described in Terms and Conditions for Gas Service. If a Curtailment is declared, the Utility will notify End-Use Customers, and 3rd Party Suppliers, as soon as practicable, but not less than 30 minutes prior to the effective time. End-Use Customers may be directed to restrict their Gas consumption on an hourly or daily basis. End-Use

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GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

Customers who do not comply with the Utility's request may be subject to Non-Performance Charges, under Gas Rate No. A4, for all Gas taken in excess of the Utility's order.

**Current rates effective pursuant to
I.U.R.C. Order in Cause No. 42767 43463**

Effective: September 1, 2007

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GAS RATE NO. S1

VARIABLE-RATE GAS SUPPLY SERVICE

APPLICABILITY:

This rate schedule applies to all gas supplied in a month or any portion thereof and delivered under Gas Rate Nos. D1, D2, D3, D4, D5, and D6, D7, and D9 unless an eligible End-Use Customer has contracted with a 3rd Party Supplier for gas supply service.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. S1, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

GAS SUPPLY CHARGE:

The currently applicable charge for all gas supplied under this Gas Rate No. S1 is identified on Rider A. The Gas Supply Charge is subject to change on a monthly basis.

3rd PARTY SUPPLIER:

Eligible End-Use Customers may select a 3rd Party Supplier to provide gas supply instead of the Utility. Such selections shall be governed by the Utility's requirements as described in the Terms and Conditions for Gas Service.

GAS RATE NO. S2

BACK-UP GAS SUPPLY SERVICE

APPLICABILITY:

This rate schedule is applicable to End-Use Customers for each Single Account with annual usage greater than 50,000 Therms using Basic Delivery Service in Gas Rate Nos. D3, D4, D5, and D9 who have elected Back-up Gas Supply Service in accordance with the Utility's requirements. Customers utilizing Back-Up Gas Supply Service must have automated meter reading devices, under Gas Rate No. A7.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. S2, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

CAPACITY CHARGE:

The applicable capacity charge for all back-up gas supply volumes contracted under this Gas Rate No. S2 is set quarterly. The current applicable capacity charge is identified on Rider A.

COMMODITY CHARGE:

The applicable charge for all gas supplied under this Gas Rate No. S2 is set each month and is identified on Rider A.

BILLING:

End-Use Customers electing Back-up Gas Supply Service will select a level of Back-up Gas Supply Service annually. Each month, capacity charges will be determined based on that level of Back-up Gas Supply Service chosen. Commodity charges are billed only as incurred for Gas Delivery Service Customers under Gas Rate Nos. D3, D4, D5, and D9. This service is not available to customers who have opted out of Banking.

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GAS RATE NO. S3

SUPPLY OF LAST RESORT

APPLICABILITY:

This rate schedule is applicable to End-Use Customers who have chosen a 3rd Party Supplier in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. S3, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

CAPACITY CHARGE:

The applicable capacity charge for all supply volumes supplied under this Gas Rate No. S3 is set quarterly. The current applicable capacity charge is identified on Rider B.

COMMODITY CHARGE:

The applicable commodity charge for all gas supplied under this Gas Rate No. S3 is set each month and is identified on Rider B (highest day's price for the month).

BILLING:

End-Use Customers who have chosen a 3rd Party Supplier, who has defaulted, by failing to nominate and/or deliver Gas Supply for three (3) consecutive days, will be billed Supply of Last Resort, under Gas Rate No. S3, for any volumes used in excess of accumulated Daily Gas Supply Deliveries for the month, beginning with the fourth day following default, until the end of the End-Use Customer's current billing cycle.

GAS RATE NO. S4

UNACCOUNTED-FOR GAS AND COMPANY USE GAS

APPLICABILITY:

This rate schedule is applicable to 3rd Party Suppliers of a Supplier Group or End-Use Customers acting as their own Supply Agent in accordance with the Utility's requirements.

DESCRIPTION:

1. 0.76% of the quantities received by the Utility from 3rd Party Suppliers of a Supplier Group or End-Use Customers acting as their own Supply Agent at a point of receipt on the Utility's distribution system shall be retained by the Utility to compensate for Unaccounted-For gas. The Unaccounted-For Gas Percentage stated above shall be reviewed and adjusted annually by the Utility, through updating of this Tariff sheet after approval by the Commission, to reflect any changes in the system Unaccounted-For Gas percentage.
2. 0.58% of the quantities received by the Utility from 3rd Party Suppliers of a Supplier Group or End-Use Customers acting as their own Supply Agent at a point of receipt on the Utility's distribution system shall be retained by the Utility to compensate for Company Use Gas. The Company Use Gas stated above shall be reviewed and adjusted annually by the Utility, through updating of this Tariff sheet after approval by the Commission, to reflect any changes in the system Company Use Gas percentage.

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GAS RATE NO. A1

SUPPLY ADMINISTRATION SERVICE

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to End-Use Customers, and to End-Use Customers acting as their own Supply Agent, in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A1, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

APPLICATION:

3rd Party Suppliers, and End-Use Customers wishing to act as their own Supply Agent, are required to apply for approval to provide gas supply services to End-Use Customers. Only entities listed as approved bidders on CMS Panhandle Eastern Pipe Line Company and Texas Gas Transmission Corporation or their successors are eligible to apply. Applications must be accompanied by a nonrefundable \$1,000 application fee.

SUPPLIER APPLICATIONS:

All 3rd Party Suppliers approved to provide gas supply service to End-Use Customers must submit a 3rd Party Supplier Application to Citizens Gas and comply with Supplier Access Requirements, as defined in the Terms and Conditions for Gas Service. 3rd Party Suppliers, and End-Use Customers acting as their own Supply Agent, are required to comply with all requirements of Gas Delivery service under Gas Rate Nos. D3, D4, D5 and D9. Services to bill End-Use Customers for gas supply charges are automatically provided to 3rd Party Suppliers under terms of Billing Service, under Gas Rate No. A5.

Current rates effective pursuant to

I.U.R.C. Order in Cause No. 4346342767 Effective: September 1, 2007

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GAS RATE NO. A1 – SUPPLY ADMINISTRATION SERVICE (Cont'd)

ADMINISTRATIVE SERVICE FEES:

The Utility shall bill 3rd Party Suppliers, and applicable End-Use Customers, the following charges for Supply Administration Services which support End-Use Customer-specific supply transactions. Those services include, but are not limited to, nominations, confirmations, scheduling, daily requirements forecasting, imbalance administration, banking coordination, supplier compliance and contract administration. The charges reflect the character of the End-Use Customer accounts, and participation in Supplier Groups or Supplier Pools. Charges to 3rd Party Suppliers include:

\$100 Per Month Per Supplier Group plus \$5 Per Month Per Single Account electing standard Gas Delivery Service

\$100 Per Month Per Supplier Pool plus \$5 Per Month Per Single Account

\$180 Per Month per Single Account electing the Basic Delivery Service Option

Charges to End-Use Customers acting as their own Supply Agent:

\$180 Per Month per Single Account

BILLING

Charges are billed to 3rd Party Suppliers and End-Use Customers acting as their own Supply Agent at month end.

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GAS RATE NO. A2

USAGE BALANCING SERVICE

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to a Supplier Group of End-Use Customers, or to End-Use Customers acting as their own Supply Agent, in accordance with the Utility's requirements and other End-Use Customers as applicable.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A2, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

USAGE IMBALANCES

The Utility shall cash out monthly a 3rd Party Supplier, or End-Use Customers acting as their own Supply Agent, the following in connection with positive or negative monthly net Usage Imbalances associated with a Supplier Group of End-Use Customers, or an End-Use Customer acting as its own Supply Agent, receiving Gas Delivery Service under Gas Rate Nos. D3, D4, D5, D7 and D9.

Negative monthly net Usage Imbalances reflect situations where a Supplier Group of End-Use Customers, or an End-Use Customer acting as its own Supply Agent, consumed greater volumes of Gas than accumulated Daily Gas Supply Deliveries for the month.

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GAS RATE NO. A2 – USAGE BALANCING SERVICE (Cont'd)

Positive monthly net Usage Imbalances reflect situations where a Supplier Group of End-Use Customers, or an End-Use Customer acting as its own Supply Agent, consumed lesser volumes of Gas than accumulated Daily Gas Supply Deliveries for the month.

In the event an Operational Flow Order is issued, all Usage Imbalances will be billed in accordance with Rate No. A4 Non-Performance charges. In all non-Operational Flow Order periods any net monthly Usage Imbalances will be administered in the following manner:

MONTHLY CASH-OUT:

1. Cash-out charges for net monthly negative Usage Imbalances are as follows (Charges posted to bill):

Usage Imbalances of greater than 0% up to and including 10% will be carried over to the next month.

110% of applicable Gas Supply Charge from Rider A (including capacity costs) for monthly net Usage Imbalances of greater than 10% up to and including 20%

120% of applicable Gas Supply Charge from Rider A (including capacity costs) for monthly net Usage Imbalances of greater than 20% up to and including 30%

140% of applicable Gas Supply Charge from Rider A (including capacity costs) for monthly net Usage Imbalances of greater than 30%.

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GAS RATE NO. A2 – USAGE BALANCING SERVICE (Cont'd)

2. Cash-out credits for net monthly positive Usage Imbalances are as follows (Utility will purchase amounts from a 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent that are not offset by other charges.):

Usage Imbalances of greater than 0% up to and including 10% will be carried over to the next month.

90% of applicable Gas Supply Charge from Rider A (excluding capacity costs) for monthly net Usage Imbalances of greater than 10% up to and including 20%

80% of applicable Gas Supply Charge from Rider A (excluding capacity costs) for monthly net Usage Imbalances of greater than 20% up to and including 30%

60% of applicable Gas Supply Charge from Rider A (excluding capacity costs) for monthly net Usage Imbalances of greater than 30%.

3. Cash out charges for volumes purchased and injected to bring a Customer Banking Volume inventory to the granted level will be charged to the End-Use Customer at the following rate:

105% of the applicable Gas Supply Charge from Rider A or Citizens' storage WACOG, whichever is greater.

BILLING:

Charges and credits for Usage Balancing Service will be calculated monthly and billed at month end to the applicable 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent or as otherwise applicable to an End-Use Customer. Utility will purchase amounts from a 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent that are not offset by other charges.

GAS RATE NO. A4

NON-PERFORMANCE CHARGES

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to End-Use Customers, End-Use Customers acting as their own Supply Agent, in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A4, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

NON-PERFORMANCE CHARGES:

The Utility shall charge monthly, a 3rd Party Supplier, or End-Use Customer, as appropriate, for any volumes associated with End-Use Customers receiving Gas Delivery service under Gas Rate Nos. D3, D4, D5, D7, and D9 that are considered daily Delivery Imbalances or unauthorized usage during a Curtailment Period.

Charges are as follows:

**The Applicable Gas Supply Charges or Credits From Rider B, plus or minus
\$6.00 Per Therm**

WAIVER OF CHARGES:

In its reasonable discretion, on a case-by-case basis, the Utility may waive all or part of any Non-Performance Charge assessable to End-Use customer pursuant to this Gas Rate No. A4, provided, however, that the waiver of such Non-Performance Charge shall be exercised on a non-discriminatory basis.

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GAS RATE NO. A4 - NON-PERFORMANCE CHARGES (cont'd)

BILLING:

Non-Performance Charges will be calculated and billed at month end to the applicable 3rd Party Supplier or End-Use Customer as appropriate. Utility will purchase amounts from a 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent that are not offset by other charges.

GAS RATE NO. A5

BILLING SERVICE

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to Supplier Groups or Supplier Pools of End-Use Customers, in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A5, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

BILLING SERVICES FOR SUPPLIER GROUPS:

The Utility shall provide to 3rd Party Suppliers, as their agent, billing services pertaining to gas supply services provided to End-Use Customers in Supplier Groups. The Utility shall not have any right, title or interest in the amounts it collects from End-Use Customers for gas supply services provided by the 3rd Party Suppliers. 3rd Party Suppliers providing End-Use Customers with gas supply services will be required to provide the Utility with accurate, timely billing information on all individual End-Use Customer accounts. For accurate, timely billing information provided by 3rd Party Suppliers, no charges will apply. Charges for exceptions are detailed below.

Billing for 3rd Party Supplier gas supply services will require an electronic file transfer in an acceptable format, containing field layout and data for the purpose of displaying gas supply service charges on a single bill for each individual End-Use Customer account. The Utility will charge End-Use Customers sales tax on all charges shown on the bill unless it is furnished with a valid sales tax exemption certificate by the 3rd Party Supplier of the End-Use Customer.

Billing Data

Immediately following each billing cycle, the Utility will provide to 3rd Party Suppliers an electronic file template which includes End-Use Customer name, 12-digit Citizens Gas account number and billing cycle usage, designated actual or estimate, when appropriate. 3rd Party Suppliers will return that electronic file within one (1) business day with required billing data, based on either billing cycle usage or nominations, for each End-Use Customer. The Utility then will issue End-Use Customer bills with appropriate 3rd Party Supplier gas supply charges, as well as Gas Delivery charges calculated by the Utility.

GAS RATE NO. A5 – BILLING SERVICE (Cont'd)

Data Requirements

Data fields required include: End-Use Customer name, 12-digit Citizens Gas account number, billing cycle usage, gas supply rate, total current charges, contract charges, and late payment charges, if appropriate.

Payment/Remittance/Allocation Processing

All payments shall be made to the Utility regardless of circumstances and collection efforts. Following receipt of End-Use Customer payment, Utility will remit funds received for gas supply services to 3rd Party Supplier once per week. Any partial payments received from End-Use Customers will be applied first to Utility Gas Delivery Service charges, then to the oldest non-regulated receivable. If all non-regulated receivables are equivalent in age, payment will be applied to 3rd Party Supplier receivable first.

Providing gas supply service to End-Use Customers with an extended due date or flexible payments requires the 3rd Party Supplier to extend receivable balances beyond normal limits. When appropriate, the Utility will notify End-Use Customer and 3rd Party Supplier as to expected timing of payments.

BILLING SERVICES FOR SUPPLIER POOLS:

The Utility shall provide to 3rd Party Suppliers, as their agent, billing services pertaining to gas supply services provided to End-Use Customers in Supplier Pools. The Utility shall not have any right, title or interest in the amounts it collects from End-Use Customers for gas supply services provided by the 3rd Party Suppliers. 3rd Party Suppliers providing End-Use Customers with gas supply services will be required to provide the Utility with accurate, timely billing information on all individual End-Use Customer accounts. For accurate, timely billing information provided by 3rd Party Suppliers, no charges will apply. Charges for exceptions are detailed below.

Billing for 3rd Party Supplier gas supply services will require a file transfer in an acceptable format, containing field layout and data for the purpose of displaying gas supply service charges on a single bill for each individual End-Use Customer account. The Utility will charge End-Use Customers sales tax on all charges shown on the bill unless it is furnished with a valid sales tax exemption certificate by the 3rd Party Supplier of the End-Use Customer.

GAS RATE NO. A5 – BILLING SERVICE (Cont'd)

Billing Data

Immediately following each billing cycle, the Utility will provide to 3rd Party Suppliers an electronic file template which includes End-Use Customer name, 12-digit Citizens Gas account number and billing cycle usage, designated actual or estimate, when appropriate. 3rd Party Suppliers will return that electronic file within one (1) business day with billing data, based on billing cycle usage, for each End-Use Customer. The Utility then will issue End-Use Customer bills with appropriate 3rd Party Supplier gas supply charges, as well as Gas Delivery charges calculated by the Utility.

Data Requirements

Data fields required include: End-Use Customer name, 12-digit Citizens Gas account number, billing cycle usage, gas supply rate, total current charges, monthly contract charges, and late payment charges, if appropriate.

Payment/Remittance/Allocation Processing

All payments shall be made to the Utility regardless of circumstances and collection efforts. Following receipt of End-Use Customer payment, Utility will remit funds received for gas supply services to 3rd Party Supplier once per week. Any partial payments received from End-Use Customers will be applied first to Utility Gas Delivery Service charges, then to the oldest non-regulated receivable. If all non-regulated receivables are equivalent in age, payment will be applied to 3rd Party Supplier receivable first.

Providing gas supply service to End-Use Customers with extended due date or flexible payments requires the 3rd Party Supplier to extend receivable balances beyond normal limits. When appropriate, the Utility will notify End-Use Customer and 3rd Party Supplier as to expected timing of payments.

CHARGES FOR EXCEPTION BILLING:

0.06% of Utility Gas Delivery Service Charges Per Account For Occurrence of Late Billing Data Per Day Delayed

\$32 Per Account for Billing Data Error Requiring Customer Re-Bill

GAS RATE NO. A6
COLLECTION SERVICE

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to Supplier Groups or Supplier Pools of End-Use Customers, and who have elected a Collection Service applicable for all of their End-Use Customers in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A6, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms in this rate schedule are defined in the Terms and Conditions for Gas Service.

COLLECTION SERVICES AND FEES:

The Utility shall provide the following types of services to applicable 3rd Party Suppliers for all of their End-Use Customers:

Collection Letters

A Citizens Gas employee will send a collection letter to an End-Use Customer, any time from 18-42 days following bill issuance, to request full payment of a past due bill for gas supply service provided by a 3rd Party Supplier. The letter will also include payment location instructions. A fee is assessed for each letter, regardless of the outcome of the letter. Any payment for gas supply services made by the End-Use Customer in response to the collection letter will be remitted to the 3rd Party Supplier in the next weekly remittance. The applicable fee is as follows:

\$.70 Per Letter

Outbound Telephone Collection Calls

A Citizens Gas employee will make a telephone call to an End-Use Customer, any time from 18-42 days following bill issuance, to request full payment of a past due bill for gas supply service provided by a 3rd Party Supplier. If the End-Use Customer is not available, a message will be left on an answering machine, or with a responsible party, including payment location instructions. A fee is assessed for each telephone call, regardless of the outcome of the call. Any payment for gas supply services made by the End-Use Customer in response to the telephone collection call will be remitted to the 3rd Party Supplier in the next weekly remittance. The applicable fee is as follows:

\$1.00 Per Telephone Collection Call

GAS RATE NO. A6 – COLLECTION SERVICE (Cont'd)

End-Use Customer Premise Collection Visits

A uniformed Citizens Gas employee will visit the End-Use Customer's premise, any time after 43 days following the bill issuance, to request full payment of a past due bill for gas supply service provided by a 3rd Party Supplier. If the End-Use Customer is not available, a payment demand notice will be left at the premise, including payment location instructions. A fee is assessed for each premise visit, regardless of the outcome of the visit. Any payment made for gas supply services by the End-Use Customer in response to the collection visit will be remitted to the 3rd Party Supplier in the next weekly remittance. The applicable fee is as follows:

\$14.50 Per Premise Collection Visit

Payment Arrangements

A Citizens Gas employee will make a telephone call to an End-Use Customer, any time from 18-60 days following bill issuance, to request full payment of a past due bill for Gas Supply service provided by a 3rd Party Supplier. If the End-Use Customer is unable to pay, the employee will temporarily extend additional credit to the customer in return for a promise to pay according to a designated plan, based on Utility credit guidelines as may be amended from time to time. A fee is assessed for each payment arrangement, regardless of the outcome of the plan. Payments for gas supply services made by the End-Use Customer in accordance with the arrangements will be remitted to the 3rd Party Supplier in the next weekly remittance.

\$12.00 per Payment Arrangement

Legal Recovery Coordination

A Citizens Gas employee will coordinate legal recovery, no sooner than 60 days following bill issuance, to collect full payment of a past due bill for Gas Supply service provided by a 3rd Party Supplier. Legal recovery includes account assignment to an attorney and periodic monitoring and updates. A fee is assessed for each occurrence of legal recovery coordination plus court costs and attorney fees, regardless of the outcome of the coordination. The appropriate portion of payments for gas supply services made by the End-Use Customer will be remitted to the 3rd Party Supplier in the next weekly remittance.

\$8.00 Per Legal Recovery Coordination

Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202

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GAS RATE NO. A6 – COLLECTION SERVICE (Cont'd)

Purchase of Accounts Receivable

Citizens Gas will purchase receivables from 3rd Party Suppliers, and take on responsibility to collect full payment of a bill for gas supply service provided by a 3rd Party Supplier, not including disputed amounts. A fee, negotiated between the 3rd Party Supplier and the Utility, is subtracted from the outstanding receivable, and payment will be remitted to the 3rd Party Supplier in the next weekly remittance.

BILLING:

Collection Service charges will be billed to 3rd Party Suppliers at month end.

GAS RATE NO. A7

INFORMATION SERVICE

APPLICABILITY:

This rate is applicable to End-Use Customers, and to 3rd Party Suppliers providing gas supply services to Supplier Groups or Supplier Pools of End-Use Customers, in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A7, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms in this rate schedule are defined in the Terms and Conditions for Gas Service.

SERVICE AND FEES:

Usage Information

Citizens Gas shall provide summaries of up to 24 months of End-Use Customer's usage by meter to End-Use Customers, and/or to 3rd Party Suppliers with the End-Use Customer's approval. The information will be provided to 3rd Party Suppliers for the sole purpose of arranging to provide gas supply services. The following charges for those summaries will be billed to requesting 3rd Party Suppliers or End-Use Customer, per meter:

\$25 Per Customer Usage Summary, per meter

Automated Meter Reading Service

Citizens Gas will provide to 3rd Party Suppliers or to End-Use Customers that have requested Automated Meter Reading Service, or are required to have Automated Meter Reading Service as a condition of choosing the Basic Delivery Service Option, Automated Meter Reading Service including installation of an Automated Meter Reading device and access to daily meter reads via the Internet. The following charges for Automated Meter Reading Service will be billed to applicable End-Use Customers or 3rd Party Suppliers:

\$64 Per Month for Each Meter Transmitting Daily Readings

End-Use Customers provided Automated Meter Reading service may request daily meter reads to be made available to an approved 3rd Party Supplier via the Internet at no additional cost.

GAS RATE NO. A8

SWITCHING CHARGES

APPLICABILITY:

This rate is applicable to End-Use Customers or 3rd Party Suppliers in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A8, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

SWITCHING FEES:

The Utility shall bill an End-Use Customer for any changes in the 3rd Party Supplier selected, or for returning to Utility Gas Supply Service, in excess of one change per calendar year. The Utility shall bill a 3rd Party Supplier for any request by the 3rd Party Supplier to move End-Use Customers between its Supplier Groups or Supplier Pools:

\$25 Per Switch

The changes described above may occur only on the first day of the End-Use Customer's billing cycle or as otherwise specified by Utility.

GAS RATE NO. A9

INCREMENTAL BANKING SERVICE

APPLICABILITY:

This rate is applicable to End-Use Customers under Gas Rate Nos. D3, D4, D5, D7 and D9, in accordance with the Utility's requirements and 3rd Party Marketers as available. This service is not available to customers who have opted out of banking.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A9, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

APPLICATION:

The Utility shall provide End-Use Customers and 3rd Party Marketers the ability to bid for Incremental Banking Volumes annually during the Election Period. If requests received during the Election Period are greater than available Incremental Banking Volumes, Incremental Banking Volumes requested will be granted to the highest bidders on a first-come, first-served basis. End-Use Customers and Marketers will be notified of Incremental Banking Volumes allocated by April 10th via Citizens Gas' internet site.

CHARGES:

Maximum charges for Incremental Banking Volumes are calculated annually using the following components:

Opt-Out Usage (Dth) x \$.063 / Opt-Out Banking Volumes (Dth) = Incremental Banking Volume Charge (per Dth of Incremental Banking Volumes)

Bids will be accepted until April 30. Volumes will be allocated to highest bidders on a first-come, first-served basis, then to the next highest bidder, and so on, until available volume has been sold. Charges for Incremental Banking Volumes, determined by multiplying the End-Use Customer's Incremental Banking Volumes granted by the bid per unit of Incremental Banking Volume Charges, will be included in May billing. Upon request to the Utility, charges may be paid monthly by dividing the total annual charge by 12.

GAS DELIVERY, GAS SUPPLY, AND ADMINISTRATIVE SERVICES

RATES, TERMS AND CONDITIONS

FOR GAS SERVICE WITHIN

MARION COUNTY, INDIANA

Issued By The

Board of Directors for Utilities
of the Department of Public Utilities,
as successor trustee of a public charitable trust,
Doing Business As
Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202

James A. Wade
Chairman and President
Board of Directors

Carey B. Lykins
President, and
Chief Executive Officer

TERMS AND CONDITIONS
I.U.R.C. CAUSE NO. 43463

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**CITIZENS GAS & COKE UTILITY
2020 N. MERIDIAN STREET
INDIANAPOLIS, INDIANA 46202**

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**TERMS AND CONDITIONS
I.U.R.C. CAUSE NO. 43463**

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1. DEFINITIONS

Except where the context indicates a different meaning or intent, the following terms, when used in any Section of the Utility's Gas Delivery Service, Gas Supply Service, Administrative Services, Rates, and Terms and Conditions for Gas Service, shall have the meanings defined below:

- 1.0 3RD PARTY SUPPLIER**
Any entity, other than the Utility, qualified under Section 13 to provide gas supply services within the Utility's service area.
- 1.1 AGGREGATED ACCOUNT**
A single Commercial or Industrial End-Use Customer at a single billing address receiving Gas Delivery Service through multiple Meters supplying multiple Premises, who has elected to combine its multiple Premises for balancing, banking, and bill summarization and presentment purposes. The Gas Delivery Service bill for consumption of each Meter is calculated separately, then consolidated for bill presentment purposes. To qualify as an Aggregated Account, the combined annual Gas consumption measured by the multiple Meters must be greater than 50,000 therms. All Meters must be read in the same meter reading district, or have Automated Meter Reading equipment installed.
- 1.2 APPLICANT**
Any individual, partnership, association, firm, public or private corporation, limited liability company, government agency, institution or group thereof applying to receive, consume or use the Utility's Gas Supply, Gas Delivery or Administrative Services.
- 1.3 AUTOMATED METER READING**
All hardware and equipment installed on an End-Use Customer's premises for the purpose of transmitting a daily meter reading to the Utility.
- 1.4 BANKING AND BALANCING**
Services provided by the Utility as a part of Gas Delivery Service, that, with respect to Balancing, accommodate the usage swings of End-Use Customers and, with respect to Banking, provide the ability to store gas for later use.
- 1.5 BANKING INJECTION NOMINATION**
The volumes designated by or on behalf of an End-Use Customer to be delivered to the Utility's City Gate for the purpose of increasing volumes of Gas in the End-Use Customer's storage bank for the End-Use Customer's later use.
- 1.6 BANKING WITHDRAWAL NOMINATION**
The volumes designated by or on behalf of an End-Use Customer for the purpose of decreasing the volume of Gas in the End-Use Customer's storage bank for the End-Use Customer's current use.

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- 1.7 BANKING VOLUME INJECTION QUANTITY**
1/150th of Customer Banking Volumes available to nominate for daily injection into the Utility's underground storage fields by or on behalf of an End-Use Customer.
- 1.8 BANKING VOLUME WITHDRAWAL QUANTITY**
Means 1/75th of the Customer Banking Volumes available to nominate for daily withdrawal from the Utility's underground storage fields by or on behalf of an End-Use Customer.
- 1.9 BASIC DELIVERY SERVICE OPTION**
An option for General Heating, General Non-Heating, Large Volume and High Load Gas Delivery Service End-Use Customers, which provides for a lower level of balancing service in return for a lower delivery charge. Choosing the Basic Delivery Option requires the End-Use Customer to have Automated Meter Reading devices installed which will provide a daily meter reading to the Utility. The Utility will make available electronically daily meter reads to the End-Use Customer, and if authorized, its 3rd Party Supplier.
- 1.10 BASIC USAGE IMBALANCE**
The difference between Daily Gas Supply Deliveries and the daily volume of Gas consumed by the End-Use Customer, calculated for a daily period.
- 1.11 CITIZENS ENERGY SELECT**
The program offered by the Utility that provides End-Use Customers with the option of choosing a 3rd Party Supplier for their Gas Supply Service.
- 1.12 CITY GATE**
The delivery/receipt point between intra and interstate pipelines supplying Gas to the Utility's gas distribution system.
- 1.13 COMMERCIAL CUSTOMER**
End-Use Customers primarily engaged in wholesale or retail trade, service (including five or more households served by a single meter), and any End-Use Customer not directly covered by another service classification.
- 1.14 COMPANY USE GAS**
Gas used by the Utility including compressor facilities fuel, natural gas vehicles, or liquefied natural gas turbine fuel used by the Utility.
- 1.15 CONSOLIDATED ACCOUNT**
A single Commercial or Industrial End-Use Customer receiving Gas Delivery Services through multiple Meters supplying a single Premise. All Gas consumption measured by multiple Meters is combined and billed through a single rate schedule. Only available to Large Volume and High Load Customers. Unless otherwise specified by the Utility, each meter will receive a separate facility charge.
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- 1.16 CRITICAL PERIOD**
A period, declared at the discretion of the Utility, during which time unusual conditions jeopardize normal operation of the Utility's system.
- 1.17 CURTAILMENT**
A temporary reduction in Gas usage directed by the Utility for operating reasons, for protection of human need uses.
- 1.18 CUSTOMER BANKING VOLUMES**
A volume of gas effectively representing capacity in the Utility's underground storage fields that an End-Use Customer may be conditionally granted annually. It does not represent any control or ownership of the Utility's storage fields but only an End-Use Customer's conditional use of them. 3rd Party Suppliers, or Customers acting as their own Supply Agent, are responsible for providing daily Banking Injection Nominations and Banking Withdrawal Nominations to the Utility pursuant to its Gas Delivery Service rate schedules, consistent with a granted Customer Banking Volume.
- 1.19 DAILY GAS SUPPLY DELIVERIES**
The gas supply volumes submitted to the Utility and scheduled by a pipeline to be delivered to the Utility's City Gate by or on behalf of an End-Use Customer, plus Banking Volume quantities scheduled by or on behalf of an End-Use Customer.
- 1.20 DAILY GAS SUPPLY NOMINATIONS**
The gas supply volumes confirmed by a pipeline to be delivered to the Utility's City Gate by or on behalf of an End-Use Customer, plus Banking Volume quantities nominated by or on behalf of an End-Use Customer.
- 1.21 DAILY USAGE IMBALANCES**
The difference between Daily Gas Supply Deliveries and the daily volume of Gas consumed by the End-Use Customer, calculated on a daily basis.
- 1.22 DELIVERY CHARGE**
A rate per unit of Gas consumed by the End-Use Customer, designed to recover fixed and variable costs incurred by the Utility to provide Gas Delivery Service to the End-Use Customer's Meter, not otherwise recovered through the Facilities Charge.
- 1.23 DELIVERY IMBALANCES**
The difference between Daily Gas Supply Nominations and Daily Gas Supply Deliveries on behalf of an End-Use Customer in a Supplier Group, or an End-Use Customer acting as its own Supply Agent. Also can mean, for an End-Use Customer in a Supplier Pool, the difference between Forecasted Daily Requirements and Daily Gas Supply Deliveries.

1.24 ECONOMIC OPERATIONAL FLOW ORDER

A directive issued by the Utility to a 3rd Party Supplier, or to an End-Use Customer acting as its own Supply Agent, to closely balance Daily Gas Supply Deliveries with the volume of Gas consumed by the End-Use Customer when, in its sole discretion, it determines that such a directive is necessary to protect its ability to provide adequate and reliable Gas Supply Service at reasonable costs because there is a significant and substantial price difference between the average of first of the month index prices of the pipelines serving its system, adjusted for appropriate fuel, transportation, and basis, and the average of the daily index prices of the pipelines serving its system, adjusted for appropriate fuel, transportation, and basis.

1.25 ELECTION PERIOD

A one-month period of time during which End-Use Customers electing Basic Delivery Service may opt-out of Banking Service, or request Incremental Banking Volumes.

1.26 END-USE CUSTOMER

Any individual partnership, association, firm, public or private organization, limited liability company, government agency, institution or group thereof receiving Gas Delivery Services and/or Gas Supply Services. The term End-Use Customer shall not include 3rd Party Suppliers that may be Customers of the Utility for Administrative Services.

1.27 FACILITIES CHARGE

A flat rate per month designed to recover a portion of the fixed costs incurred by the Utility to provide Gas Delivery Service to the End-Use Customer's Meter.

1.28 FORECASTED DAILY REQUIREMENTS

Daily projections of the quantity of Gas to be consumed the following day by End-Use Customers in Supplier Pools. Forecasted Daily Requirements will be provided by the Utility to 3rd Party Suppliers no later than 24 hours in advance of the Gas Day.

1.29 GAS

Any vaporized fuel transported on the Utility's gas distribution system. The term shall include, but not be limited to, natural gas, synthetic gas, liquefied natural gas, propane or any mixture thereof.

1.30 GAS DAY

The 24-hour period from 9 a.m. to 9 a.m. Central Clock Time (Houston).

1.31 GAS DELIVERY SERVICE

The transportation of Gas by the Utility from the City Gate to an End-Use Customer's Meter. Gas Delivery Service includes Banking and Balancing, except as provided in the Basic Delivery Option of the Delivery Service tariffs.

1.32 GAS DELIVERY SERVICE AGREEMENT

The required agreement between the Utility and an End-Use Customer with usage greater than 50,000 Therms annually.

1.33 GAS MANAGEMENT SYSTEM OR GMS

All computer hardware and software required to administer customer-specific gas supply transactions.

1.34 GAS SERVICE LINE

A line used to transport gas from Utility mains to End-Use Customer Premises.

1.35 GAS SUPPLY CHARGE

A rate per unit of Gas consumed by the End-Use Customer, designed to recover the cost of Gas and related off-system services, including pipeline transportation and balancing services, incurred by the Utility to provide Gas Supply Service to the End-Use Customer's Meter.

1.36 GAS SUPPLY SERVICE

The sale of Gas and related off-system services, including pipeline transportation and balancing services, by the Utility to an End-Use Customer.

1.37 HUMAN NEEDS CUSTOMER

A Residential Customer, a Commercial Customer of a residential nature, or any End-Use Customer whose facilities are of a kind where the element of human welfare is the predominant factor or whose facilities are needed to protect or preserve the public health, safety and welfare. Such facilities include, but shall not be limited to, houses, apartment buildings, correctional institutions, hospitals, primary and secondary schools, nursing homes, certain charitable institutions and day care facilities.

1.38 INCREMENTAL BANKING VOLUMES

Banking Volumes made available by End-Use Customers electing Basic Delivery Service, who have elected to opt-out of Banking Service.

1.39 INDUSTRIAL CUSTOMER

An End-Use Customer engaged in a process that creates or changes raw or unfinished material into another form or product.

1.40 I.U.R.C. RULES

The Indiana Utility Regulatory Commission Rules and Regulations of Service for Gas Utilities operating within the State of Indiana, as promulgated in Cause No. 34613, approved September 13, 1976, effective April 12, 1977, as may be amended from time to time.

1.41 MASTER METER

A Meter installed upstream from a building service or entrance or building regulator in such a manner as to measure the total quantity of Gas used in two (2) or more buildings in a single complex.

1.42 MAXIMUM DAILY QUANTITY

The total connected gas load times 24 hours.

1.43 METER

A device for measuring the quantity of Gas used. Two (2) or more meters connected in parallel, with the total quantity of Gas used being the sum of the quantities measured by the individual Meters, shall be considered a single Meter, if installed at the directive of the Utility.

1.44 MONTH

The period of time between any two consecutive meter reading dates which shall be scheduled as nearly as practicable every thirty (30) days. It does not necessarily mean the Meter will actually be read according to that schedule.

1.45 MONTHLY CASH OUT

A month-end calculation of charges and credits pertaining to Usage Balancing Service, and Basic Usage Balancing Service for 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent.

1.46 NON-ECONOMIC OPERATIONAL FLOW ORDER

A directive issued by the Utility, pertaining to a Critical Period, to a 3rd Party Supplier, or to an End-Use Customer acting as its own Supply Agent, to deliver for End-Use Customer use a specific volume of Gas to a specific point of receipt. Non-Economic Operational Flow Orders shall be issued by the Utility at any time a material and significant threat to the operational integrity of the Utility's system occurs, or is about to occur.

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- 1.47 NON-GAS COST REVENUE**
Revenue received by the Utility from an End-Use Customer, excluding gas costs such as commodity gas costs and related off-system services, including pipeline transportation and balancing services, and other gas costs recovered through the Gas Supply Charge.
- 1.48 OPT-OUT BANKING VOLUME**
The Customer Banking Volumes of an eligible End-Use Customer, who has elected to opt-out of Banking Service.
- 1.49 OPT-OUT USAGE**
The annual load, measured from the most recently available October 1 to September 30 period, of an End-Use Customer who has elected to opt-out of Banking Service.
- 1.50 PREMISE**
One contiguous piece of property owned by a single End-Use Customer, which is not intersected by a public right-of-way or thoroughfare.
- 1.51 RESIDENTIAL CUSTOMER**
An End-Use Customer receiving Gas Delivery Services and/or Gas Supply Services to a single family dwelling or building, an individual flat or apartment, or to not over four households served by a single Meter in a multiple family dwelling or portion thereof. A Residential Customer also includes End-Use Customers receiving Gas Supply Services and/or Gas Delivery Services to premises used regularly for professional or business purposes when the residential use is half or more of the total Gas volume.
- 1.52 SINGLE ACCOUNT**
A single Commercial or Industrial End-Use Customer receiving Gas Delivery Services through a single Meter supplying one Premise.
- 1.53 STANDARD DELIVERY SERVICE**
The default delivery service provided any End-Use Customer which has not chosen the Basic Delivery Service option.
- 1.54 STORAGE WACOG**
The total weighted average cost of Gas, including demand costs, stored in the Utility's underground storage fields at any point in time.
- 1.55 SUPPLIER APPLICANT**
Any individual, partnership, association, firm, public or private corporation, limited liability company, government agency, institution or group thereof applying to provide gas supply services to End-Use Customers within the Utility's service area.
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1.56 SUPPLIER GROUP

End-Use Customers having individual annual usage at a single meter in excess of 50,000 therms who are provided Gas Supply services by the same 3rd Party Supplier. Supplier Groups are entirely composed of either End-Use Customers choosing the Basic Delivery Service Option, or End-Use Customers in a single meter reading district. End-Use Customers in each Supplier Group will have Usage Imbalances netted on a daily and/or monthly basis, for the purposes of calculating a Usage Balancing Monthly Cash-Out, and/or a Basic Usage Balancing Monthly Cash-Out, as defined in the Administrative Service tariffs.

1.57 SUPPLIER POOL

End-Use Customers of a 3rd Party Supplier each with annual usage at a single meter of less than 50,000 therms. End-Use Customers in Supplier Pools will have Forecasted Daily Requirements of Gas usage provided to their 3rd Party Supplier 24 hours in advance of the Gas Day.

1.58 SUPPLY AGENT

A Single Account, Consolidated Account or Aggregated Account End-Use Customer who contracts, purchases and manages delivery of its own gas supply, taking on the duties and responsibilities of a 3rd Party Supplier. Only End-Use Customers who have elected the Basic Delivery Service Option are eligible to act as their own Supply Agent.

1.59 THERM

100,000 British Thermal Units (BTU). For billing purposes, the consumption of Gas by End-Use Customers shall be measured in Therms.

1.60 USAGE IMBALANCES

The difference between accumulated Daily Gas Supply Deliveries and the monthly volume of Gas consumed by the End-Use Customer, calculated monthly.

1.61 UTILITY

The Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, successor trustee of a public charitable trust, doing business as Citizens Gas & Coke Utility, 2020 North Meridian Street, Indianapolis, Indiana 46202.

1.62 WACOG

Except as otherwise provided in any tariff, the weighted average cost of Gas per Therm purchased by the Utility and delivered to the Utility's City Gate, including demand costs.

1.63 YARD LINE

The Gas piping from the outlet of a Master Meter assembly to the outlet connection of a building regulator or service entrance that is installed, owned, and maintained by the Utility.

2. APPLICATION OF TARIFF

2.1 FILING AND PUBLICATION

- 2.11** A copy of all Gas Rates, and General Terms and Conditions under which Gas Delivery Services, Gas Supply Services, and Administrative Services will be supplied is on file with the Indiana Utility Regulatory Commission and is posted or filed in each office of the Utility for the convenience of the public.
- 2.12** These Utility Rules are intended to and do supersede and cancel all former rules and regulations now on file with respect to the matters included herein.
- 2.13** These terms and conditions, when approved by the Indiana Utility Regulatory Commission, shall apply to and govern Gas Delivery Services, Gas Supply Services, and Administrative Services provided by the Utility within Marion County, Indiana.
- 2.14** The failure of the Utility to enforce any of the Gas Rates and Terms and Conditions under which Gas Delivery Services, Gas Supply Services, and Administrative Services are supplied shall not be deemed a waiver of its rights to do so.

2.2 WRITTEN APPLICATION OR CONTRACT

- 2.21** A written application and/or contract, properly executed in a form acceptable to the Utility, may be required from the End-Use Customer or 3rd Party Supplier before the Utility will supply Gas Delivery Services, Gas Supply Services, or Administrative Services, or as a condition for the continued supply of Gas Delivery Services, Gas Supply Services, or Administrative Services, provided, however, that the Utility shall have the right to reject an application for valid reasons.
- 2.22** Where two or more parties join in one application for Gas Delivery and/or Gas Supply Services or Administrative Services, such parties shall be jointly and severally liable thereunder, and only one bill shall be rendered for service supplied in accordance therewith.
- 2.23** The End-Use Customer shall give the Utility written notice in advance of any material change either in the demand for Gas Delivery and/or Gas Supply Services or the character of the gas appliances or apparatus installed at the End-Use Customer's service address delivered Gas by the Utility.

- 2.24 Where more than one rate is available for the class of service requested, the End-Use Customer shall designate the desired rate. Except as limited by the terms of any Gas Delivery Services contract, the End-Use Customer may change to another applicable Gas Delivery Service rate at any time thereafter by giving written notice to the Utility, provided each successive change shall continue for not less than a twelve-month period.
- 2.25 The Utility does not guarantee the End-Use Customer will be served under the most favorable rate at all times, and no refund will be made representing the difference in charges between the rate under which service actually has been rendered and another rate applicable to the same class of service.
- 2.26 The Utility will, at the request of the End-Use Customer, assist the End-Use Customer in the determination of the rates under which the End-Use Customer desires to be served. However, the End-Use Customer is responsible for the accuracy of comparisons and any decisions regarding rates.

3. DEPOSITS

- 3.1 Pursuant to the I.U.R.C. Rules, the Utility may require a Residential Customer or Applicant for Gas Delivery and/or Gas Supply Services as a Residential Customer to pay a cash deposit as a condition of receiving or continuing to receive Gas Delivery and/or Gas Supply Services.
- 3.2 The Utility may require Non-Residential End-Use Customers or Applicants for Gas Delivery and/or Gas Supply Services that are not Residential Customers to make a cash deposit at any time to assure payment of bills, and as a condition of receiving or continuing to receive Gas Delivery and/or Gas Supply Services. Such deposit shall not be less than forty dollars (\$40.00), nor more than the amount of the bill for any three (3) consecutive months known or estimated to have the highest gas consumption. The Utility shall determine the appropriate deposit.
- 3.3 Interest on any deposit held by the Utility on February 2, 2006 earned an interest rate of six percent (6%) per annum from the date of receipt by the Utility through February 2, 2006. Effective February 3, 2006, any deposit held for more than thirty (30) days will earn interest calculated monthly at the authorized rate of interest for the current month from the date the deposit is paid in full to the Utility. The rate of interest will be established by the commission in a general administrative order for each calendar year.
- 3.4 Deposits from Residential Customers will be refunded after the Residential Customer has established an acceptable payment record in accordance with the I.U.R.C. Rules. The deposit of any Non-Residential End-Use Customer or the deposit of a Residential Customer who fails to establish an acceptable payment record may be retained by the Utility until Gas Delivery and/or Gas Supply Services are discontinued.

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- 3.5 Upon discontinuance of Gas Delivery and/or Gas Supply Services, the deposit and earned interest, if any, will be applied to the payment of any outstanding bills. The unapplied portion, if any, of the deposit and earned interest will be refunded to the End-Use Customer. The End-Use Customer will be billed for any balance due the Utility. The balance of any deposit and interest, after being applied to any outstanding bills which cannot be returned to the End-Use Customer after termination of service, shall be reported and disposed of as required by the Uniform Disposition of Unclaimed Property Act (Indiana Code 32-9-1-1, et seq).
- 3.6 The following terms apply to the Utility's extension of facilities to service a prospective End-Use Customer or group of End-Use Customers.
- 3.61 Upon request for Gas Supply Service by a prospective End-Use Customer or a group of prospective End-Use Customers located in the same area, the Utility will extend without charge its distribution main to provide the service, provided that:
- a. the Utility's estimate of its Non-Gas Cost Revenue from such Gas Supply Services provided to the prospective End-Use Customer(s) for a period of five and one-half (5.5) years is equivalent to or in excess of the Utility's estimate of the cost of providing such facilities, and;
 - b. the prospective patronage or demand is, in the Utility's sole judgment of such permanency as to warrant the capital expenditure involved.
- 3.62 If the cost of the distribution main extension necessary to provide the Gas Supply Service requested exceeds the "without-charge limit" described in the paragraph above, the Utility may require either a deposit or adequate provision of the payment of an extension deposit equal to the cost of the distribution main extension in excess of the without-charge limit.
- 3.63 Any extension deposit accepted by the Utility shall be subject to refund until six years after the completion of such extension. For each End-Use Customer connected to the extension within that six year period, the Utility shall refund an amount by which five and one-half (5.5) times the estimated annual Non-Gas Cost Revenue for gas appliances actually installed exceeds the estimated cost of connecting such End-Use Customer. At no time shall the aggregate refund made to any depositor exceed the amount of extension deposit received from such depositor.
- 3.64 The following extension requests shall be submitted to the Commission for investigation and determination as to the convenience and necessity of such extension, and if so required, the conditions under which they shall be made: (a) instances where, in the Utility's sole judgment, the extension is of such length and the prospective Non-Gas Cost Revenue which may be developed by it is so meager as to make it doubtful that the Non-Gas Cost Revenue from the extension would ever pay a fair return on the investment involved. (b) requests for an extension to a real estate development with slight or

irregular service and requiring extensive equipment.

- 3.65 The Utility shall not be required to make a distribution main extension under Section 3.61 unless the End-Use Customer(s) to be initially served by such extension have entered into an agreement with the Utility setting forth the obligations and commitments of the parties, which may require the End-Use Customer(s) to provide a satisfactory guaranty to the Utility of the performance of the End-Use Customer's obligations.

4. BILLING AND PAYMENT OF BILLS

- 4.1 Subject to Section 13.51, The Utility will issue bills to End-Use Customers on a monthly basis for both Gas Delivery and Gas Supply Services. Bills are payable to the office of the Utility or to an authorized agent within seventeen (17) days from the date mailed. When the seventeenth (17th) day falls on Sunday or a legal holiday, the seventeen-day period shall be considered to end with the next business day.
- 4.2 The Utility shall provide various billing plans whereby alternative payment options are available.
- 4.21 The Utility shall provide a Budget Plan for payment of bills by the End-Use Customer whereby the annual bill as estimated by the Utility is divided into even monthly payments. The amount actually paid by the End-Use Customer shall be balanced with the amount of gas usage actually billed to the End-Use Customer and any difference shall be paid (or credited).
- 4.22 The Automatic Bank Deduction Plan shall be a payment plan whereby the billed amount is deducted each month from the End-Use Customer's checking account by the End-Use Customer's authorized financial institution. The Utility shall continue to provide to the End-Use Customer a monthly bill.
- 4.3 When an error is discovered in any billing or when billing is omitted, the Utility may adjust such error to the known date of error, but in any event within not more than twelve (12) months from the date of such billing. Whenever it is discovered a Meter is not recording within the limits of accuracy as prescribed by the I.U.R.C. Rules, an adjustment of the individual billings shall be made for a period of one-half of the time elapsed since the previous Meter test, or one year, whichever period is shorter.

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- 4.4 When for good cause a Meter is not read on a normal interval, an estimated meter reading shall be used and so identified on the bill. An estimated meter reading for an End-Use Customer's bill will be determined by adding the End-Use Customer's calculated Gas consumption during the billing period to the meter reading at the beginning of the billing period.
- 4.5 If payment for a bill from an End-Use Customer is not received by the Utility or its agent within seventeen (17) days from the date the bill is mailed, the bill shall be considered delinquent.
- 4.51 The Utility may add a late payment charge to an End-Use Customer's delinquent bill; such charge will be ten percent (10%) on the first three dollars of Gas Supply and Gas Delivery Service charges (\$3.00) and three percent (3%) on the amount in excess of three dollars (\$3.00).
- 4.52 A charge may be made for making a call to the End-Use Customer's premises to collect a delinquent account; such charge to the End-Use Customer shall be fourteen dollars (\$14.00).
- 4.53 A charge may be made for handling a check from an End-Use Customer returned unpaid by any financial institution; such charge shall be eleven dollars (\$11.00).
- 4.6 The Utility may elect, with the consent of the End-Use Customer, to replace the several Meters in the contiguous complex of an End-Use Customer with a Master Meter. Such Master Meter for billing purposes shall be computed on the basis of a single End-Use Customer.
- 4.7 Upon detecting a device or scheme which has been utilized to avoid or attempted to avoid full payment for Gas Delivery and/or Gas Supply Services, the Utility may, after estimating the volume of Gas Delivery and/or Gas Supply Services so used:
- 4.71 Immediately disconnect such Gas Delivery and/or Gas Supply Services without notice pursuant to Rule 8.3.
- 4.72 Bill and demand immediate payment from the person benefiting from such device or scheme the actual cost of Gas used, corrections and repairs, or two hundred dollars (\$200.00), whichever is more.
- 4.73 Bill any and all damages as provided by Indiana Code 34-24-3-1 et seq. based upon the Utility's reasonable and customary estimate thereof.

5. METERING AND RESALE

- 5.1 Except in the case of a Consolidated Account, if the Utility owns and installs more than one Meter on the End-Use Customer's premises, except for the convenience of the Utility, the rate for service furnished through each metered supply shall be determined as if such service were rendered to a separate End-Use Customer.
- 5.2 The Gas supplied to an End-Use Customer incident to any Gas Delivery and/or Gas Supply Service shall not be remetered or submetered for resale in whole or in part.
 - 5.21 The sale for resale provision under any of the Gas Delivery and/or Gas Supply Service rates of the Utility specifically does not apply when the resale is for the limited purpose of providing compressed natural Gas to entities outside the jurisdiction of the Indiana Utility Regulatory Commission for use in appropriately equipped natural gas powered vehicles.
- 5.3 The Meter is the property of the Utility and is periodically tested. The Meter may be read, removed, changed, or replaced at any reasonable time at the discretion of the Utility.
- 5.4 Unless otherwise agreed to by the End-Use Customer and the Utility, all Gas sold shall be metered at a normal gauge pressure of six (6) inches of water, but shall not vary more than fifty percent (50%) above or below said normal pressure. In addition, the maximum pressure on any day shall never be greater than twice the normal minimum pressure that day. When Gas is supplied at a different pressure, the Gas consumption as indicated by the Meter shall be corrected to the equivalent quantity of Gas measured at six (6) inches of water.
- 5.5 Gas sold within the Utility's system shall have a monthly average total heating value of approximately 1,000 BTU per cubic foot of Gas saturated with water vapor.
 - 5.51 The billing unit, for the purpose of billing Gas consumption, shall be one Therm on the measurement basis specified in Rule 5.52 below.
 - 5.52 The unit of volume for the purpose of measurement at the End-Use Customer's Meter shall be one (1) cubic foot of Gas at a temperature of sixty (60) degrees Fahrenheit and an absolute pressure of 14.54 pounds per square inch.
- 5.6 The End-Use Customer shall provide a suitable space satisfactory to the Utility for the Meters, regulators, and other equipment necessary to provide Gas Delivery and/or Gas Supply Services. Said space shall be readily accessible to employees of the Utility, and shall be kept free of foreign materials and maintained in a sanitary condition by the End-Use Customer.

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- 5.7 The Meter, meter connections, and service piping from the main to the Meter, and any extension thereof including Yard Lines installed at Utility cost, shall belong to the Utility and will be installed, repaired, adjusted, or removed only by employees of the Utility or its agent regardless of whether any charges for service piping have been paid by the End-Use Customer.
- 5.8 Certain End-Use Customers may elect or may be required to have installed, at the End-Use Customer's expense, Automated Meter Reading equipment, consisting of hardware attached to the End-Use Customer's Meter, that transmits regularly scheduled meter readings to Utility's AMR system. AMR data will be made available to the End-Use Customer electronically as well as to its 3rd Party Supplier (with the End-Use Customer's permission). Installation charges and monthly fees will be billed to End-Use Customers through Information Service, under Gas Rate No. A7.

6. SERVICE, EQUIPMENT, AND LIABILITY

- 6.1 Gas Delivery and/or Gas Supply Services will be rendered to the End-Use Customer from the Utility's nearest main (or from that main from which the End-Use Customer's premises are most accessible) of sufficient capacity to furnish adequate service.
- 6.2 Gas Service Lines will be installed and maintained by the Utility from the main to the Meter, except as otherwise provided for by written agreement between the End-Use Customer and the Utility. The Utility may require a long-term contract and cash deposit as security for construction cost when unusual construction or equipment cost is necessary to furnish Gas Delivery and/or Gas Supply Services.
- 6.3 Any change of location of Gas Service Lines or Meters at the End-Use Customer's request shall be done only with the consent of the Utility. The Utility or its agent will do the work at the expense of the End-Use Customer.
- 6.4 All of the End-Use Customer's piping and equipment and/or accessories thereto necessary to utilize Gas Delivery and/or Gas Supply Services furnished by the Utility shall be installed and belong to the End-Use Customer, and must be maintained at the End-Use Customer's expense. The End-Use Customer shall bring his piping to the Meter outlet for connection to the Utility's piping in a location satisfactory to the Utility. The Utility shall not be liable for any loss, injury, or damage, including death, resulting from the End-Use Customer's use of such equipment or piping, or occasioned by the Gas Delivery and/or Gas Supply Services furnished by the Utility beyond the Meter outlet. All of the End-Use Customer's piping, equipment, and appliance accessories so installed and maintained shall be in accordance with all applicable codes, rules, and regulations of the Utility and any applicable regulatory entities with jurisdiction.

- 6.5 The Utility reserves the right to inspect the End-Use Customer's installation, but such inspection, or failure to make inspection, or the fact that the Utility may connect to such installation at the delivery point, shall not make the Utility liable for any loss, injury, or damage, including death, which may be occasioned by the End-Use Customer's use of such equipment or piping of the Utility's service unless due to the sole negligence of the Utility. Failure to comply with the Utility's reasonable request to make an inspection shall be grounds for the Utility to discontinue service with notice to the End-Use Customer pursuant to rule 8.4.
- 6.6 The End-Use Customer agrees to make available without cost to the Utility, an easement for access to End-Use Customer's dwelling or other structure in the event the Gas Service Lines must pass through the property of third parties. In the event the End-Use Customer is unable or unwilling to furnish such easement upon request, the Utility shall be relieved of the responsibility of installing the Gas Service Lines or of furnishing Gas to the End-Use Customer.
- 6.7 The Utility reserves the right, subject to regulatory authority having jurisdiction, to limit, restrict, or refuse service which will result in unreasonable demands on its distribution system, production capability, contractual requirements of supply, transportation and storage from other companies, or which will jeopardize service to existing End-Use Customers.

7. UTILITY AND END-USE CUSTOMER OBLIGATIONS

7.1 UTILITY'S OBLIGATIONS

- 7.11 The Utility will endeavor to furnish continuous Gas Delivery and/or Gas Supply Services to the End-Use Customer, but does not guarantee uninterrupted service, and shall not be liable for loss, injury, or damage resulting from any interruptions, failures, or deficiencies in service, or any other cause occasioned by reason of accidents, emergencies, strikes, acts of God, legal process or procedure, federal, state, or municipal action or interference, extraordinary repair, or for any cause whatsoever not within the reasonable control of the Utility.

- 7.12 Whenever Gas Delivery and/or Gas Supply Services are interrupted or limited by the Utility, in an emergency due to Curtailment or in normal operations, such interruption or limitation shall not constitute a breach of contract nor shall it invalidate any of the covenants of the contract.

7.2 END-USE CUSTOMER'S OBLIGATIONS

- 7.21 The End-Use Customer shall install and maintain all piping, appliances, and equipment which is not the property of the Utility, as described in Rule 5.7 of these rules, in the condition required by applicable codes adopted by the governmental authorities having

jurisdiction and in a manner approved by the Utility. The End-Use Customer shall use such piping, appliances, and equipment so as not to disturb the Utility's service to other End-Use Customers.

- 7.22 In the event of loss damage to the property of the Utility through misuse by, or the negligence of, the End-Use Customer or agents and employees of the same, the End-Use Customer shall reimburse the Utility for the cost of the necessary repairs or replacement thereof.
- 7.23 The Utility's employee or agent shall have access to the End-Use Customer's or other users Premise at all reasonable hours, and at any time in the event of an emergency, to inspect, read, repair, or remove its Meters and other property, and to inspect the appliances and piping installed for connection or connected to the Gas Service Line on the End-Use Customer's Premise.
- 7.24 No person other than an employee or agent of the Utility shall be permitted to reestablish the flow of Gas to an End-Use Customer's Gas Service Line(s) after a shut-off by the Utility or other governmental authorities having jurisdiction.
- 7.25 The End-Use Customer shall hold the Utility harmless for any loss, cost, damage, or expense to any party, resulting from the use or presence of Gas or gas appliances upon the End-Use Customer's Premises unless due to the sole negligence of the Utility.
- 7.26 The benefits of and the responsibility for Gas Delivery and/or Gas Supply Services shall commence when the Utility initiates service pursuant to an application for the same, and shall be binding upon the End-Use Customer, the End-Use Customer's heirs, personal representatives, or successors in interest until such service is discontinued pursuant to Rule 8; provided, however, discontinuance of Gas Delivery and/or Gas Supply Services shall not relieve the obligation to make payment for service so rendered by the Utility, nor shall discontinuance of Gas Delivery and/or Gas Supply Services relieve the obligation to provide the Utility access to its Meters or other property.
- 7.27 Upon written request by the Utility, the End-Use Customer will correct any unsafe or unsanitary conditions affecting Gas Service Lines, meter reading, or inspection of such Gas Service Lines on the End-Use Customer's Premises including but not limited to the presence of vicious dogs or other animals, hazardous steps or other access to Utility equipment, the accumulation of debris, refuse, or filth on or adjacent to Utility equipment. If such condition is not corrected within thirty (30) days of such written request, the Utility may initiate discontinuance of service pursuant to Rule 8.3.

8. DISCONTINUANCE OF SERVICE

- 8.1** An End-Use Customer shall notify the Utility at least three (3) working days prior to the date such End-Use Customer desires its Gas Service Line to be disconnected, and the Utility shall have three (3) working days thereafter to make such disconnection. The End-Use Customer will be responsible for the payment of all bills for Gas Delivery and/or Gas Supply Services used while the account is in the End-Use Customer's name prior to expiration of such three (3) working day period.
- 8.2** When an End-Use Customer requests disconnection at a Gas Service Line location, the Utility may, at its option, discontinue service by either physically turning off the Gas Service Line, or when requested by the new applicant at the same service location, by obtaining a meter reading and leaving the Gas Service Line on in the name of the new Applicant.
- 8.3** The Utility may discontinue Gas Delivery and/or Gas Supply Services to the End-Use Customer without request by the End-Use Customer and without notice, and may remove any of its property from the End-Use Customer's premises without legal process for any one of the following reasons:
- 8.31** Where a condition dangerous or hazardous to life, physical safety, or property exists.
- 8.32** Upon order by any Court, the Commission, or other duly authorized public authority, or upon written instruction by a law enforcement agency acting within its jurisdiction pursuant to Indiana Code 35-45-5-4(c).
- 8.33** A fraudulent or unauthorized use of Gas is detected and the Utility has reasonable grounds to believe the affected End-Use Customer is responsible for such tampering.
- 8.34** Where the Utility's equipment has been tampered with and the Utility has reasonable grounds to believe that the affected End-Use Customer is responsible for such tampering.
- 8.35** Detection of a device or scheme which has been utilized to avoid or attempted to avoid full payment for Utility Gas Delivery and/or Gas Supply Services as defined by Indiana Code 35-43-5-6.

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- 8.4** The Utility may discontinue Gas Delivery and/or Gas Supply Services to the End-Use Customer after seven (7) days written notice; however, in the case of a Residential Customer, and subject to Rule 8.5, said written notice shall be fourteen (14) days, which notice shall be deemed received by the End-Use Customer on the day after mailing by the Utility, in accordance with the I.U.R.C. Rules for any one of the following reasons:
- 8.41** A violation of the requirements of its Gas Delivery and/or Gas Supply Services or any failure to comply with applicable codes, rules, or regulations regarding Gas Delivery and/or Gas Supply Services.
 - 8.42** Nonpayment of a delinquent bill.
 - 8.43** Refusal or failure when requested to make a cash deposit or an increased cash deposit, to assure payment of bills.
 - 8.44** When the Utility has reasonable evidence that an End-Use Customer who is indebted to the Utility for Gas Delivery and/or Gas Supply Services at his present or other location is receiving Gas Delivery and/or Gas Supply Services under the same or a different name. A Residential End-Use Customer shall not be disconnected for indebtedness incurred for Gas Delivery and/or Gas Supply Services at a different location if such bill has remained unpaid for less than forty-five (45) days.
- 8.5** Except as provided in Section 8.3, the Utility shall not disconnect residential Gas Service Line, without an End-Use Customer request, from December 1 through March 15 if:
- 8.51** The Residential Customer is either receiving or is eligible for and has applied for assistance under the Home Energy Assistance program pursuant to Indiana Code 4-27-5 or such program, if any, that may replace it.
 - 8.52** The Residential Customer has completed an application for assistance pending at the Department of Aging and Community Service or its designee and has provided the Utility with proof of said application, or the Utility has been notified in writing by the Department of Aging and Community Service or its authorized representatives.
- 8.6** Residential Customer may request the Utility notify a predesignated third party of a Gas Service Line disconnection notice issued to the Residential Customer. Such request shall be made in writing in the form of a Duplicate Notice Protection Plan Enrollment Application. When requested, the Utility shall notify the predesignated third party, by mail, of the pending service disconnection at

the time the Utility renders the disconnection notice to the Residential Customer. The Utility may restrict the use of the Duplicate Notice Protection Plan to its Residential Customers who are elderly, handicapped, ill, or otherwise unable to act upon a service disconnection notice, as determined by the Utility.

- 8.7** Discontinuance of Gas Delivery and/or Gas Supply Services, as provided for in Sections 8.1, 8.2, 8.3, and 8.4 shall not relieve the Residential Customer from liability of unpaid bills, or from the responsibility to provide access to the Utility's Meters or other property, and the Utility shall have the right to enforce any contract notwithstanding such discontinuance.
- 8.8** If the supply of available Gas diminishes to the point where continuous service to other End-Use Customers is threatened by service to Commercial or Industrial Customers, the Utility may discontinue or limit Gas Delivery and/or Gas Supply Services to any such Commercial or Industrial Customer in accordance with the provisions of Sections 10, 11, or 12 irrespective of any contracts in force.

9. RECONNECTION OF SERVICE

- 9.1** Before restoration of any Gas Service Line discontinued for any of the reasons set forth in the Gas Delivery and/or Gas Supply Services rate schedules, the following applicable conditions shall be complied with, and a charge may be made sufficient to reimburse the Utility for its costs of disconnecting and reconnecting the Gas Service Line; such charge shall be forty-four dollars (\$44.00) per Meter.
- 9.11** The violation of its Gas Delivery and/or Gas Supply Services rate schedules shall be corrected.
- 9.12** Full payment or satisfactory arrangements for the payment of all bills for service then due must be made.
- 9.13** A cash deposit as guarantee for payment of all future bills shall be made.
- 9.14** Estimated amounts due the Utility by reason of any fraudulent use of Gas must be paid and a cash deposit to guarantee the payment of future bills shall be made.

- 9.2 Except as provided in Section 9.3, below, when reconnection of Gas Service Line is requested by an End-Use Customer within one year following disconnection of Gas Service Line at the request of that End-Use Customer, a charge for restoration of Gas Service Line may be made. Such charge shall be the greater of:

- a. Forty-four dollars (\$44.00), or
- b. The sum of the facilities charges, as prescribed by the applicable Gas Delivery Service rate schedules, for each month the Gas Service remained discontinued.

- 9.3 When reconnection of Gas Service Line is requested for a Gas Service Line that has been cut and capped, a charge may be made sufficient to reimburse the Utility for its costs of service restoration from the Meter location to an active gas main.

10. PROTECTION OF SYSTEM INTEGRITY

- 10.1 Non-Economic Operational Flow Orders, Interruptions, and Curtailments are designed for use at times when the Utility, due to unforeseen conditions, must take action to protect the integrity of its system. When employing one or more of these actions, the Utility will make every safe and feasible attempt to minimize the impact to its End-Use Customers.

- 10.2 To the extent circumstances permit, the following will be the order of actions taken by the Utility to protect its system integrity. Non-Economic Operational Flow Orders, consistent with Section 12.4, will be issued by the Utility as a first step in protecting the operational integrity of its system. Depending upon the time of year, level of overall system demand, and available gas supply volumes, a Non-Economic Operational Flow Order may be sufficient to remedy any problem that may occur. The second step to be taken by the Utility is Curtailment, consistent with Section 11.

- 10.3 Once Citizens has determined that there no longer is a threat to system integrity, the Utility will begin notifying affected End-Use Customers and 3rd Party Suppliers that the previously described actions are no longer necessary and that they may resume normal operations.

11. CURTAILMENT

The Utility may order Curtailment for operating reasons (e.g., malfunction of City Gate station, malfunction of critical valve) to protect the Utility's system; when it becomes apparent Gas Supplies will be insufficient and protection of all essential Human Needs uses is contingent upon Curtailment of other uses; and, for any other reasons, as described in Rule 7.1.

11.1 NOTICE

The Utility will give reasonable notice, but not less than thirty minutes, of Curtailment in accordance with the applicable provisions of applicable Gas Delivery Service rate schedules.

11.2 PENALTIES

In the event an End-Use Customer fails to comply with any Curtailment notice or order of the Utility for the End-Use Customer to reduce its hourly or daily use of Gas, the End-Use Customer may be subject to Non-Performance Charge provisions pursuant to the Non-Performance Charge rate schedule, for all Gas volumes delivered in variance from the quantity ordered by the Utility.

11.3 ORDER OF CURTAILMENT

In effecting any such Curtailment, the Utility shall be entitled to curtail gas deliveries to any Commercial or Industrial Customer, other than Human Needs Customers, to a level equivalent to 15% of the End-Use Customer's daily Gas Supply Nomination. The Utility shall first curtail or discontinue Gas Delivery and/or Gas Supply Service to End-Use Customers served under Rate Schedules D5 and D9 that commonly use large quantities of Gas and are not engaged in an activity essential to health or safety, and where Gas not delivered can be readily utilized by the Utility to reduce any deficiency in the Gas Supply to all Human Needs Customers. If further curtailments are necessary, the Utility shall next curtail or discontinue Gas Delivery and/or Gas Supply Service to End-Use Customers served under Rate Schedules D3 and D4 that are not engaged in an activity essential to health or safety, and where Gas not delivered can be readily utilized by the Utility to reduce any deficiency in the Gas Supply to all Human Needs Customers.

In the event of a gas supply shortage or interruption, the Utility may use the Gas volumes nominated and delivered by 3rd Party Suppliers to supply essential Human Needs Customers requirements. For all Gas so used, the Utility will pay the 3rd Party Supplier its demonstrated cost of Gas.

12. CITIZENS ENERGY SELECT

12.1 ELIGIBILITY

All End-Use Customers served under Gas Rate Nos. D3, D4, D5 and D9 with annual usage greater than 50,000 Therms, are eligible to select a 3rd Party Supplier to provide them gas supply service as part of a Supplier Group, or to act as their own Supply Agent. All remaining End-Use Customers under Gas Rate Nos. D3, D4, D5 and D9 are eligible to choose a 3rd Party Supplier as part of a Supplier Pool.

12.11 SUPPLIER GROUP CHARACTERISTICS

Each Supplier Group will consist of Commercial and Industrial Customers that are a Single Account, Consolidated Account, or Aggregated Group. All accounts in the Supplier Group will have either chosen the Basic Delivery Service Option and installed Automated Meter Reading devices, or they will receive Standard Delivery Service and will appear in the same Utility meter reading district for billing purposes. End-Use Customers receiving Standard Delivery Service will be in a Supplier Group that contains customers in the same Utility meter reading district. The End-Use Customer's Utility meter reading district will not change for purposes of determining the End-Use Customer's Supplier Group. Each Supplier Group is administered individually by a 3rd Party

Supplier for nomination and supply purposes. Basic Usage Imbalances of accounts in each Supplier Group are netted daily and monthly, as appropriate, for Commercial and Industrial Customers choosing the Basic Delivery Service Option. Usage Imbalances of accounts in each Supplier Group receiving Standard Delivery Service are netted monthly.

12.12 SUPPLIER POOL CHARACTERISTICS

Each Supplier Pool will consist of Commercial or Industrial Customers each with individual usage of less than 50,000 Therms annually, and combined usage of 100,000 Therms. End-Use Customers within Supplier Pools may appear in any Utility meter reading district for billing purposes. Each Supplier Pool is administered individually by a 3rd Party Supplier for nomination and supply purposes. 3rd Party Suppliers of End-Use Customers in a Supplier Pool will be notified on a daily basis as to the level of Forecasted Daily Requirements to be delivered by the 3rd Party Supplier on behalf of each End-Use Customer, for the following Gas Day.

12.13 SUPPLY AGENT CHARACTERISTICS

Each End-Use Customer acting as its own Supply Agent will have elected the Basic Delivery Service Option. Each Supply Agent is administered individually for nomination and supply purposes and takes on the duties and responsibilities of a 3rd Party Supplier. Basic Usage Imbalances are not netted.

12.2 SIGN-UP AND CONFIRMATION

End-Use Customers in Supplier Groups with annual usage greater than 50,000 therms will be required to complete a Gas Delivery Service Agreement at least 21 days prior to the first day of the billing cycle when 3rd Party Supplier gas supply services commence.

End-Use Customers in Supplier Pools will not be required to complete a Gas Delivery Service Agreement. 3rd Party Suppliers of Supplier Pools will be required to provide the Utility with a list of End-Use Customer accounts, including the 12-digit Citizens Gas account number, 21 days prior to the first day of the billing cycle when 3rd Party Supplier Gas Supply services commence. Upon receipt of the list, the Utility will notify End-Use Customers, by letter, confirming that the designated 3rd Party Supplier will commence providing Gas Supply services to them the first day of the following billing cycle.

12.21 SWITCHING 3RD PARTY SUPPLIERS

End-Use Customers may switch 3rd Party Suppliers under Citizens Energy Select only on the first day of the billing cycle. 3rd Party Suppliers signing up new End-Use Customers in Supplier Groups, or in Supplier Pools, will follow the same sign up procedures as for new End-Use Customers. A 3rd Party Supplier will notify the Utility of any End-Use Customer additions at least 21 days prior to the first day of the following bill cycle. End-Use Customers switching 3rd Party Suppliers, or 3rd Party Suppliers requesting to move End-Use Customers between its Supplier Groups or Supplier Pools more than once in a calendar year will be subject to Switching Charges. End-Use Customers are only eligible to return to Utility Gas Supply Service once in any 12-month period.

12.22 RETURN TO UTILITY GAS SUPPLY SERVICE

Once each 12-month period, upon 21 days' notice to the Utility, End-Use Customers in Supplier Pools may elect to return to Utility Gas Supply Service on the first day of the following billing cycle. End-Use Customers in Supplier Groups, or acting as their own Supply Agent may return to Utility Gas Supply Service under the same conditions, if gas supply and pipeline capacity is available. End-Use Customers returning must remain on Utility Gas Supply Service for a minimum of one billing cycle. Any such changes will not affect the obligations under any contract between the End-Use Customer and 3rd Party Supplier.

12.3 SUPPLY ADMINISTRATION

3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, are responsible for supply administration. Supply administration includes, but is not limited to providing Daily Gas Supply Nominations, ensuring Daily Gas Supply Deliveries, managing balancing requirements, and providing billing data to the Utility for each individual End-Use Customer.

12.31 FORECASTED DAILY REQUIREMENTS

The Utility will calculate Forecasted Daily Requirements for End-Use Customers in Supplier Pools. Forecasted Daily Requirements will be provided by the Utility to 3rd Party Suppliers no later than 24 hours prior to the beginning of the Gas Day.

12.32 GAS SUPPLY NOMINATIONS AND SCHEDULING

3rd Party Suppliers of Supplier Groups, or End-Use Customers acting as their own Supply Agent, are required to provide an estimate of Daily Gas Supply Nominations to the Utility for the following month, by no later than 5 calendar days prior to the beginning of the month. All Daily Gas Supply Nominations and Daily Gas Supply Deliveries must include the allowances for Unaccounted-For Gas and Company Use Gas as approved by the Commission in Gas Rate No. S4. Daily Gas Supply Nominations must include a separate Banking Injection Nomination or Banking Withdrawal Nomination if applicable. Daily Gas Supply Nominations must be reasonable, in the Utility's judgment, based on previously estimated daily nominations and will be accepted at the Utility's discretion. Intra-day nominations will be allowed pursuant to rules of the interstate pipeline.

3rd Party Suppliers and End-Use Customers acting as their own Supply Agent will provide Daily Gas Supply Nominations to the Utility. All nominations shall include at a minimum: name of 3rd Party Supplier, name and phone number of individual submitting the nomination, pipeline transportation contract number, applicable Supplier Group or Supplier Pool, or End-Use Customer, date for which nomination applies, and type of nomination submitted.

3rd Party Suppliers of Supplier Groups and Supplier Pools, and End-Use Customers acting as their own Supply Agent, are required to provide 50% of their Daily Gas Supply Nominations on the Panhandle Eastern Pipe Line and the remaining 50% of their Daily Gas Supply Nominations on the Texas Gas Transmission Pipeline and/or Heartland Gas Pipeline (in any combination). Subject to the terms of the Settlement Agreement in Cause No. 41605, the Utility will allow, on a first-come, first-served basis, End-Use Customers with annual usage greater than 1,000,000 Therms, to notify the Utility, in writing, of an intent to nominate volumes that do not comply with the previously stated requirement of equal nomination amounts on all interstate pipelines connected to the Utility's distribution system, pursuant to Gas Rate Nos. D5 and D9.

12.33 CUSTOMER BANKING VOLUMES

End-Use Customers of 3rd Party Suppliers, or an End-Use Customer acting as its own Supply Agent, will be granted Customer Banking Volumes for use throughout the year. All Customer Banking Volumes requested to be injected or withdrawn must be nominated in accordance with required nomination procedures.

Customer Banking Volumes will remain with End-Use Customers should they switch 3rd Party Suppliers, and will transfer from the former 3rd Party Supplier to the new 3rd Party Supplier, effective at the same time as the change in 3rd Party Supplier. The level of Customer Banking Volumes granted will be reviewed periodically by the Utility.

End-Use Customers electing Basic Delivery Service, with annual usage in excess of 1,000,000 Therms annually, may opt-out of Banking Service, pursuant to Gas Rate Nos. D5 and D9. An End-Use Customer must sign an agreement with the Utility to opt-out of Banking Service for the elected 12-month period.

Any End-Use Customer desiring to resubscribe to Banking Service may do so, but only if sufficient capacity either exists, or can be procured by the Utility. Any costs that are the direct result of the customer returning to Banking Service, including but not limited to pipeline capacity costs and costs for storage services incurred by the Utility to return the End-Use Customer to Banking Service, will be directly charged to the returning End-Use Customer.

After an End-Use Customer has provided written notice to opt-out under this section, the End-Use Customer will continue as an opt-out customer unless that customer wishes to change and does so in accordance with the provisions of this section. Subject to the previous sentence, subsequent to the initial opt-out period, beginning in February, 2004, to the extent not otherwise limited by this section, End-Use Customers will notify Citizens that they are electing to opt-out of Banking Service during the month of February ("Election Period") of each year. The election will become effective starting April 1 of that same year and remain effective through March 31, of the following year. Confirmation of the election will be returned to the End-Use Customer during the month of March immediately following the Election Period.

Annually, during the Election Period, the Utility will make available Incremental Banking Volumes, through Incremental Banking Service, under Gas Rate No. A9, to all End-Use Customers purchasing gas supply from a 3rd Party Supplier or End-Use Customers acting as their own Supply Agent.

12.34 GAS SUPPLY DELIVERIES AND IMBALANCE PROVISIONS

Daily Gas Supply Nominations and Banking Injections or Withdrawals must be equal to Forecasted Daily Requirements for End-Use Customers in Supplier Pools in order to avoid Delivery Imbalances, subject to Non-Performance Charges.

Daily Gas Supply Nominations and Daily Gas Supply Deliveries must be equal for End-Use Customers in Supplier Groups, or an End-Use Customer acting as its own Supply Agent, to avoid Delivery Imbalances, subject to Non-Performance Charges.

Usage Imbalances will be netted on a monthly basis, and Basic Usage Imbalances will be netted on a daily basis, within a single Supplier Group. Netted Usage Imbalances and Basic Usage Imbalances are subject to provisions of Usage Balancing Service and Basic Usage Balancing Service, and Non-Performance Charges.

12.35 3RD PARTY SUPPLIER DEFAULT

3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, will be considered in default if three (3) days have elapsed and no Daily Gas Supply Deliveries are made on behalf of applicable End-Use Customers. Gas volumes consumed by End-Use Customers during the three (3) day period will be subject to Non-Performance Charges. 3rd Party Suppliers in default will forfeit the right to provide gas supply services to End-Use Customers. If a 3rd Party Supplier defaults, starting on the fourth day of default, End-Use Customers will be provided Supply of Last Resort Service, Gas Rate No. S3.

12.4 NON-ECONOMIC OPERATIONAL FLOW ORDERS

The Utility, in its discretion, shall have the right to issue a Non-Economic Operational Flow Order ("OFO") during a Critical Period. A Critical Period may be declared by the Utility at any time a material and significant threat to the operational integrity of the Utility's system occurs, or there is a reasonable basis to anticipate a threat will occur.

12.41 CONDITIONS

Such conditions include, but are not restricted to operation of any area of the Utility's system at or near design capacity; failure or operational constraint of the Utility's transmission, distribution or gas storage facilities; system pressure, affected by pipeline delivery pressures or other unusual conditions; declaration of an Operational Flow Order or equivalent by pipelines supplying Gas to the Utility's distribution system; or under deliveries from 3rd Party Suppliers.

12.42 NOTICE

Notice of the Non-Economic OFO will be given as far in advance as practicable, but not less than two hours prior to the effective time, using reasonable efforts to notify affected 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent.

12.43 PROVISIONS

Each Non-Economic OFO notification will contain the following provisions, to the extent possible: time and date of issuance; time that the Non-Economic OFO is considered to be effective; duration of the Non-Economic OFO; if no duration is specified, the Non-Economic OFO will be effective until further notice; the party or parties receiving the Non-Economic OFO; the condition requiring the Non-Economic OFO; the conduct or actions required to remedy the operating condition requiring the issuance of the Non-Economic OFO; and any other terms the Utility may reasonably require to ensure the effectiveness of the Non-Economic OFO.

12.44 REQUIREMENTS

A Non-Economic OFO may require a 3rd Party Supplier or End-Use Customer acting as its own Supply Agent to deliver for End-Use Customer use a specified quantity of Gas to a designated point of receipt. The specified quantity will be based on each End-Use Customer's expected usage, and will be between zero and the End-Use Customer's Maximum Daily Quantity.

12.45 PENALTIES

Failure to comply with a Non-Economic OFO will result in the application of the Non-Economic OFO imbalance charges specified in Basic Usage Balancing Service, or Non-Performance Charges, for all Gas volumes delivered in variance from the quantity ordered by the Utility.

12.5 END-USE CUSTOMER BILLING AND PAYMENT

Bills will be issued monthly by the Utility, for both Gas Delivery and Gas Supply Services, or, if applicable, gas supply services provided by 3rd Party Suppliers. Charges for Administrative Services provided to End-Use Customers will be provided in separate monthly bills issued by the

Utility. Bills are payable to the office of the Utility or to an authorized agent within seventeen (17) days from the date mailed. When the seventeenth (17th) day falls on Sunday or a legal holiday, the seventeen-day period shall be considered to end with the next business day. Following receipt of the End-Use Customer's payment, the Utility will remit funds received for gas supply services provided to 3rd Party Suppliers once per week.

12.51 End-Use Customers returning to Utility Gas Supply Service may do so at the Utility's discretion, but may be required to pay a deposit pursuant to Section 3.

12.52 The Automatic Bank Deduction Plan shall be a payment plan whereby the billed amount is deducted each month from the End-Use Customer's checking account by the End-Use Customer's authorized financial institution. The Utility shall continue to provide to the End-Use Customer a monthly bill containing all appropriate charges for Gas Delivery and/or Gas Supply Services.

12.6 LIABILITY

The Utility shall not be deemed to be in control and possession of 3rd Party Supplier or End-Use Customer Gas until such Gas has been delivered to the Utility at the City Gate. Gas shall be and shall remain the property of the End-Use Customer while being delivered by the Utility. The End-Use Customer shall be responsible for maintaining all insurance it deems necessary to protect any property interests in such Gas, during and after receipt by Utility.

12.7 SUPPLIER BILLING AND PAYMENT

Charges for all Administrative Services provided to 3rd Party Suppliers will be billed monthly. Bills are payable to the office of the Utility or to an authorized agent within seventeen (17) days from the date mailed. When the seventeenth (17th) day falls on Sunday or a legal holiday, the seventeen-day period shall be considered to end with the next business day. A 3rd Party Supplier not remitting payment within thirty (30) days will be subject to late payment charges of 10%. Any 3rd Party Supplier not remitting payment within sixty (60) days will be in default and may be subject to disqualification for provision of gas supply Services to End-Use Customers.

13. SUPPLIER ACCESS REQUIREMENTS

13.1 BUSINESS REGISTRATION/OWNERSHIP AFFILIATIONS

13.11 Any person seeking to become a 3rd Party Supplier (referred to as "Supplier Applicant" for purposes of Section 14) must file an application containing the following information:

- a. Supplier Applicant's name, federal tax identification number, business address, telephone number, facsimile number, and e-mail address;
- b. Supplier Applicant's ownership structure, including parent, subsidiaries and affiliated companies; and,
- c. The names, addresses and telephone numbers of two (2) financial institution credit references, and two (2) trade credit references, along with a brief description of the relationship and high credit amount (in the most recent twelve (12) months) associated with each relationship.

13.12 Application must be accompanied by:

- a. Audited financial statements (balance sheets, income statements, and cash flow statements) of the Applicant for the last two (2) years;
- b. Proof of creditworthiness satisfactory to Utility to protect against damages resulting from the Supplier Applicant's failure to deliver Gas to End-Use Customers and to assure payment of any charges for any such failure, which may include at Utility's option an irrevocable letter of credit or financial guaranty from the Supplier Applicant in the amount of \$250,000, or two (2) times the value of the highest monthly Gas usage of the Supplier Applicant's aggregated End-Use Customers, whichever is greater. The Utility may request that qualified 3rd Party Suppliers increase the level of the letter of credit or financial guaranty should the reported value of the 3rd Party Suppliers' aggregated End-Use Customers' gas usage increase by greater than 25%;
- c. A copy of the Supplier Applicant's most recent Dun & Bradstreet "Comprehensive Report," and
- d. An application fee of \$1,000.

- 13.13** Utility shall have sole discretion to determine creditworthiness based on the above criteria, but will not deny creditworthiness without reasonable cause.

13.2 3rd PARTY SUPPLIER AGREEMENT WITH UTILITY

- 13.21** Upon approval of the 3rd Party Supplier's application, the 3rd Party Supplier agrees to deliver Gas, on behalf of Supplier's End-Use Customers in accordance with, and to abide by, the Utility's requirements and procedures for supplying Gas to End-Use Customers contained herein.

- 13.22** If 3rd Party Supplier fails to deliver Gas in accordance with its End-Use Customer's Requirements for such service, Utility shall, if necessary, provide Gas on a temporary basis to the affected customer(s) and shall bill the 3rd Party Supplier the Non-Performance Charges as reflected on Gas Rate A4.

13.3 END-USE CUSTOMER PROTECTION - FAIR MARKETING PRACTICES

- 13.31** 3rd Party Suppliers shall refrain from engaging in communications or practices with End-Use Customers that are discriminatory, predatory, fraudulent, deceptive or misleading.
- 13.32** 3rd Party Suppliers shall act in good faith to assist End-Use Customers requesting to be switched to alternative 3rd Party Suppliers, subject to the applicable terms of the agreement between the 3rd Party Supplier and the End-Use Customer.
- 13.33** A 3rd Party Supplier shall not purport to enroll an End-Use Customer without a valid, written agreement signed by the End-Use Customer.

13.4 END-USE CUSTOMER PROTECTIONS – END-USE CUSTOMER AGREEMENTS

- 13.41** Unless otherwise agreed to by the End-Use Customer, 3rd Party Suppliers shall include in the agreement between the 3rd Party Supplier and End-Use Customer, the following terms:
- a. A description of the End-Use Customer's rights, obligations and responsibilities;
 - b. The term of the agreement;
 - c. A detailed description of all charges for which the End-Use Customer is responsible;

- d. A clear and concise explanation of how the agreement may be terminated, renewed or extended;
- d. An assurance that the 3rd Party Supplier will provide thirty (30) days written notice to the End-Use Customer before ceasing to deliver gas supply to the Utility on the End-Use Customer's behalf pursuant to Section 13.71 or 13.72;
- f. A requirement that the 3rd Party Supplier provide sixty (60) days written notice to the End-Use Customer before automatically renewing the End-Use Customer's agreement;
- g. A description of the 3rd Party Supplier's dispute resolution process.

13.5 BILLING PRACTICES

- 13.51 The Utility shall act as billing agent for all 3rd Party Suppliers, except when circumstances for the End-Use Customer require, and the Utility agrees, that different billing practices shall apply. The Utility, following a written application by an End-Use Customer, may determine, for good cause shown and on a non-discriminatory basis that the End-Use Customer's 3rd Party Supplier(s) and not the Utility may bill that End-Use Customer for charges related to gas supply.
- 13.52 Subject to Section 13.51, End-Use Customers shall receive only one bill, to be produced and distributed by the Utility for all charges related to gas supply and Gas Delivery Services.
- 13.53 Subject to Section 13.51, 3rd Party Suppliers shall provide the Utility, in a timely and accurate manner, all required billing data, including, but not limited to, billing amount, rate, rate basis (nominations, actual usage, etc.), taxes (if applicable), additional fees or charges.
- 13.54 3rd Party Suppliers shall ensure that billing information provided to the Utility for inclusion in End-Use Customer bills contains sufficient information to allow the End-Use Customer to understand the basis for the billed amount.
- 13.55 The Utility shall charge and collect sales tax on all amounts shown on the bill distributed by the Utility unless the Utility is billing for the 3rd Party Supplier, and the 3rd Party Supplier furnishes it with a valid sales tax exemption certificate for the charges attributable to 3rd Party Supplier-provided Gas supply.

- 13.56 3rd Party Suppliers shall provide the End-Use Customers' billing data to the Utility in a medium acceptable to the Utility.

13.6 END-USE CUSTOMER PROTECTION - RELIABILITY AND DELIVERABILITY PRACTICES

- 13.61 3rd Party Suppliers shall maintain sufficient delivery capability and supply, including backup supply if necessary, to meet the End-Use Customer's requirements, as established in the 3rd Party Suppliers' supply agreement with the End-Use Customers.

- 13.62 3rd Party Suppliers shall comply with the approved Utility Gas Rates.

13.7 END-USE CUSTOMER PROTECTION - DISCONTINUANCE OF SERVICE

- 13.71 Unless otherwise agreed to by the Utility and the End-Use Customer, 3rd Party Suppliers shall provide no less than thirty (30) days prior written notice to the End-Use Customer and the Utility of the termination of a gas supply agreement.

- 13.72 Unless otherwise agreed to by the Utility and the End-Use Customer, 3rd Party Suppliers may cease to deliver gas supply to the Utility on behalf of an End-Use Customer after providing thirty (30) days written notice to the End-Use Customer and the Utility for any one of the following reasons:

- a. A violation of the agreement between the 3rd Party Supplier and an End-Use Customer or any failure to comply with applicable codes, rules or regulations regarding gas service.
- b. Nonpayment of a delinquent bill.

13.8 PENALTIES

- 13.81 A 3rd Party Supplier's right to contract with End-Use Customers with facilities located within the area served by the Utility may be terminated if the IURC or the Utility finds that any 3rd Party Supplier has engaged in fraudulent or misleading communications or practices with respect to its dealing with End-Use Customers.

- 13.82 A 3rd Party Supplier's right to contract with End-Use Customers also may be terminated if the 3rd Party Supplier fails to remit payment for current charges for more than 60 days. Utility may draw on the 3rd Party Supplier's Letter of Credit or enforce the financial guaranty to recover unpaid charges to the Utility.

13.9 END-USE CUSTOMER INFORMATION

- 13.91** In the absence of the express consent by an End-Use Customer, 3rd Party Suppliers shall not resell or otherwise collect for distribution any information regarding that End-Use Customer. With facilities located within the area served by the Utility

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GAS RATE NO. D1

RESIDENTIAL DOMESTIC DELIVERY & SUPPLY SERVICE

APPLICABILITY:

This rate schedule applies to all Gas delivered in a Month or any portion thereof for residential domestic purposes by an End-Use Customer through one Meter supplying a single Premise, with no more than four (4) individual units.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D1, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

\$7.00 Per Month

DELIVERY CHARGE:

\$0.4648 Per Therm

In addition, the Customer Benefit Distribution/Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and Energy Efficiency Adjustment from Rider E shall apply to all Therms delivered.

GAS SUPPLY CHARGE:

The currently applicable charge for all Gas supplied under this Gas Rate No. D1 is identified on Rider A as Variable-Rate Supply.

**Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463**

Effective:

Citizens Gas & Coke Utility
2020 North Meridian Street
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GAS RATE NO. D2

RESIDENTIAL HEATING DELIVERY & SUPPLY SERVICE

APPLICABILITY:

This rate schedule applies to all Gas delivered in a Month or any portion thereof for residential heating purposes by an End-Use Customer through one Meter supplying a single Premise, with no more than four (4) individual units.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D2, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

\$11.00 Per Month

DELIVERY CHARGE:

\$.3113 Per Therm For The First 46 Therms Each Month

\$.2120 Per Therm For All Usage Over 46 Therms

In addition, the Customer Benefit Distribution/Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and Energy Efficiency Adjustment from Rider E shall apply to all Therms delivered.

GAS SUPPLY CHARGE:

The currently applicable charge for all Gas supplied under this Gas Rate No. D2 is identified on Rider A as Variable-Rate Supply.

**Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463**

Effective:

GAS RATE NO. D3

GENERAL NON-HEATING DELIVERY SERVICE

APPLICABILITY:

This rate schedule applies to all gas delivered in a Month or any portion thereof for non-heating purposes for a single End-Use Customer through one Meter supplying a single Premise.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D3, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

Meter Class I - \$15.00 Per Meter Per Month
Meter Class II - \$54.40 Per Meter Per Month
Meter Class III - \$183.75 Per Meter Per Month

The total Facilities Charge will be the sum of all applicable per Meter charges.

METER CLASSIFICATIONS:

For the purpose of the application of the Facilities Charge under this rate schedule, the Utility's gas meters are classified as follows:

<u>Meter Class I</u>	<u>Meter Class II</u>	<u>Meter Class III</u>
(CF/Hour)	(CF/Hour)	(CF/Hour)
250	8C	5000
425	800	5M
	1000	7M
	1400	11M
	2300	16M
	3000	23M

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2020 North Meridian Street
Indianapolis, Indiana 46202

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GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

<u>Meter Class I</u> (CF/Hour)	<u>Meter Class II</u> (CF/Hour)	<u>Meter Class III</u> (CF/Hour)
	1.5M	38M
	3M	56M
		102M
		4 Turbo
		6 Turbo
		8 Turbo
		12 Turbo

DELIVERY CHARGE:

\$0.1226 Per Therm For The First 500 Therms Delivered Each Month

\$0.0930 Per Therm For The Next 1,500 Therms Delivered Each Month

\$0.0747 Per Therm For All Therms Over 2,000 Delivered Each Month

In addition, applicable Balancing Charges from Rider A and the Customer Benefit Distribution/ Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and Energy Efficiency Adjustment from Rider E shall apply to all Therms delivered.

BASIC DELIVERY OPTION:

End-Use Customers, with annual usage greater than 50,000 Therms at a Single Account, are eligible to elect the Basic Delivery Service Option, in accordance with the Utility's requirements. End-Use Customers choosing the Basic Delivery Service Option must select a 3rd Party Supplier for gas supply service or act as their own Supply Agent.

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463

Effective:

GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Delivery charges for Basic Delivery Service are as follows:

\$0.1095 Per Therm For The First 500 Therms Delivered Each Month

\$0.0802 Per Therm For The Next 1,500 Therms Delivered Each Month

\$0.0623 Per Therm For All Therms Over 2,000 Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution / Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and Energy Efficiency Adjustment from Rider E shall apply to all Therms delivered.

End-Use Customers choosing the Basic Delivery Service Option must have Automatic Meter Reading (AMR) device(s), provided by the Utility through Information Service, under Gas Rate No. A7.

GAS SUPPLY:

This rate schedule and the above-stated charges or adjustments do not provide for a supply of Gas. Gas Supply is available from the Utility through Variable-Rate Gas Supply Service, under Gas Rate No. S1.

When eligible under the Citizens Energy Select program, End-Use Customers may also choose to purchase gas supply from a 3rd Party Supplier.

End-Use Customers choosing not to make a gas supply selection, either from the Utility, or from a 3rd Party Supplier, will receive Variable-Rate Gas Supply Service under Gas Rate No. S1.

End-Use Customers electing the Basic Delivery Service Option are eligible, but are not required, to act as their own Supply Agent. An End-Use Customer acting as a Supply Agent must be an approved bidder on CMS Panhandle Eastern Pipe Line and/or Texas Gas Transmission Corporation or its successor and is

GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

expected to perform all responsibilities normally handled by 3rd Party Suppliers. These include, but are not limited to, forecasting gas supply volumes, making Daily Gas Supply Nominations, and balancing their nominations, deliveries and usage. End-Use Customers acting as their own Supply Agent, are responsible for charges for Supply Administration Service, under Gas Rate No. A1, as well as for Basic Usage Balancing Service, under Gas Rate No. A3, and, if applicable, Non-Performance Charges, under Gas Rate No. A4.

GAS SUPPLY FROM 3RD PARTY SUPPLIERS:

End-Use Customers may, when eligible under the Citizens Energy Select program, choose a 3rd Party Supplier to furnish a supply of Gas in accordance with the Utility's requirements. It is the End-Use Customer's responsibility to ensure that the 3rd Party Supplier delivers the directed proportion of gas supplies at delivery points designated by the Utility.

The Utility also reserves the right to bill the End-Use Customer at appropriate Gas Supply Service rates for Gas consumed in excess of Daily Gas Supply Deliveries, following cessation of any agreement with a 3rd Party Supplier.

Back-up Gas Supply Service, under Gas Rate No. S2, is available from the Utility to End-Use Customers for each Single Account with annual usage at a single meter greater than 50,000 Therms, and either choosing a 3rd Party Supplier, or acting as their own Supply Agent. Back-up Gas Supply Service provides for reservation of a designated level of pipeline capacity and gas supply to be available on a daily basis, in order to provide an additional measure of gas supply security. Back-up Gas Supply Service is only available to those customers choosing the Basic Delivery option and who have not opted out of Banking.

3rd Party Suppliers of End-Use Customers in a Supplier Pool will be notified on a daily basis as to the level of Forecasted Daily Requirements to be delivered by the 3rd Party Supplier on behalf of the End-Use Customer, the following Gas Day. Volumes to be delivered may include Banking Volume Injections or Withdrawals. Daily Gas Supply Nominations and Daily Gas Supply Deliveries must equal the day's Forecasted Daily Requirements in order to avoid Delivery Imbalances and Non-Performance charges (see Imbalance Provisions).

GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Following expiration of their contracts with 3rd Party Suppliers, and with appropriate notice, as described in the accompanying Terms and Conditions for Gas Service, End-Use Customers may choose to purchase Gas Supply from the Utility under Gas Rate No. S1, with the Utility's approval.

End-Use Customers may switch 3rd Party Suppliers once each calendar year at no charge but will not be permitted to switch between 3rd Party Supplier to System Supply or vice versa more than one time per 12-month period. End-Use Customers who switch 3rd Party Suppliers more than once each calendar year will be subject to Switching Charges, under Gas Rate No. A8.

Gas Imbalance Provisions

Delivery Imbalances for Supplier Pools, arising from differences in the level of Forecasted Daily Requirements compared to the level of Daily Gas Supply Deliveries will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier in a Supplier Pool. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers through Non-Performance Charges under Gas Rate No. A4.

Usage Imbalances for Supplier Pools, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in Supplier Pools, will be calculated continually and used to adjust Forecasted Daily Requirements provided to 3rd Party Suppliers for remaining days in the month. Usage Balancing charges will not apply to Supplier Pools for Usage Imbalances.

Delivery Imbalances for Supplier Groups, or End-Use Customers acting as their own Supply Agent, arising from differences in the level of Daily Gas Supply Nominations compared to the level of Daily Gas Supply Deliveries to the Utility's gas system, will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier, in a Supplier Group, or End-Use Customers acting as their own Supply Agent. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Non-Performance Charges, under Gas Rate No. A4.

GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Usage Imbalances for Supplier Groups, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in the Supplier Group, will be monitored, combined and netted, on a monthly basis. Unless an Operational Flow Order is issued, all monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Usage Balancing Service, under Gas Rate No. A2. In the event of an Operational Flow Order, monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Non-Performance Charges, under Gas Rate No. A4.

Basic Usage Imbalances, for Basic Delivery Service Customers, arising from differences in the level of Daily Gas Supply Deliveries compared to the level of gas consumed by the End-Use Customer, will be monitored for End-Use Customers acting as their own Supply Agent, or combined and netted, on a daily basis, for all End-Use Customers in a single Supplier Group. All daily net Basic Usage Imbalances will be calculated daily and charged, at month end, to 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, through Basic Usage Balancing Service, under Gas Rate No. A3.

Banking Service

All End-Use Customers contracting with 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, will be granted Customer Banking Volumes for use throughout the year.

Customer Banking Volumes will be granted periodically by the Utility to each End-Use Customer based on the ratio of the End-Use Customer's winter season (November through March) consumption to total Utility winter season throughput, both for the preceding heating season, times the storage capacity available for banking. New End-Use Customers will be granted Customer Banking Volumes based on usage of similar End-Use Customers, if more specific information is not available.

GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

If the End-Use Customer elects to change 3rd Party Suppliers, Customer Banking Volumes will remain with the End-Use Customer and will transfer from the former 3rd Party Supplier to the new 3rd Party Supplier, effective at the same time as the change in 3rd Party Supplier.

Incremental Banking Service

During the Election Period, the Utility will make available Incremental Banking Volumes, through Incremental Banking Service, under Gas Rate No. A9, to all End-Use Customers purchasing gas supply from a 3rd Party Supplier, End-Use Customers acting as their own Supply Agent, or 3rd Party Suppliers. Requirements for use of Incremental Banking Volumes acquired by 3rd Party Suppliers or End-Use Customers either are identical to standard Banking Volumes as described below, or are in accordance with the non-discriminatory standards determined by the Utility.

Nomination of Customer Banking Volumes

End-Use Customers' daily Banking Volume Injections or Withdrawals will be designated by their 3rd Party Supplier or End-Use Customers acting as their own Supply Agent. All Customer Banking Volumes requested to be injected or withdrawn must be nominated by the 3rd Party Supplier or End-Use Customers acting as their own Supply Agent, by the end of the gas day, in accordance with the required nomination procedures as described in the Terms and Conditions for Gas Service. Subject to the limitations described below, the Banking Injection or Withdrawal Nominations will be confirmed in total or in part at the sole discretion of the Utility.

Confirmed Banking Injection or Withdrawal Nominations will be used in the determination of Delivery and Usage Imbalances.

The Customer Banking Volume injection period will be the period from April 1 through October 31, inclusive. Customer Banking Volume injections shall not be permitted from November 1 through March 31. By October 31 of each year, all Banking Injection Nominations must have been delivered to the Utility's City Gate. The maximum Banking Volume Injection Quantity ("BVIQ") is one-one hundred and fiftieth (1/150) of the Customer Banking Volume, less remaining inventory from the previous year. Banking Withdrawal and Injection Nominations will be done ratably, or in accordance with the Utility's operational needs.

GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Permission for Banking Injection Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

If the granted Customer Banking Volume level is not reached by October 31, the Utility will purchase and inject the volume of Gas necessary to bring the Customer Banking Volume inventory to the assigned level and the End-Use Customer will be charged for that volume in accordance with the provisions of Gas Rate No. A2.

The Customer Banking Volume withdrawal period will be the period from November 1 through March 31, inclusive. Banking Withdrawal Nominations shall not be permitted from April 1 through October 31. The maximum Banking Volume Withdrawal Quantity ("BVWQ"), on any one day, shall be calculated as one-seventy fifth ($1/75$) of the granted Customer Banking Volumes. Banking Injection and Withdrawal Nominations will be done ratably or in accordance with the Utility's operational needs.

The BVWQ will be reduced as the withdrawal period progresses in accordance with the following table:

Applicable Dates	Maximum Daily Banking Withdrawal Quantity
Nov. 1 – Dec. 31	100% of BVWQ
Jan. 1 – Jan. 15	75% of BVWQ
Jan. 16 – Feb. 15	50% of BVWQ
Feb. 16 – Mar. 31	25% of BVWQ

Permission for Banking Withdrawal Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Customer Banking Volumes must be maintained at or above minimum Customer Banking Volume inventory levels, expressed as a percentage of total Customer Banking Volumes, over the winter season, in accordance with the following table:

Date	Minimum Customer Banking Volume Inventory % of Total Capacity
At January 31	19%
At February 28	9%

No End-Use Customers will be allowed to switch back to Variable-Rate Gas Supply Service under Gas Rate No. S1 during the winter season, unless the required minimum Customer Banking Volume Inventory balances noted above are maintained.

Up to 5% of Customer Banking Volumes may remain in inventory at the end of the withdrawal period (March 31) without penalty. If more than 5% of Customer Banking Volumes is left in inventory at the end of the withdrawal period, the Utility will purchase from the End-Use Customer all remaining Customer Banking Volumes above the 5% allowance. The purchase price will be the lesser of 90% of the applicable Variable-Rate Gas Supply Service, for the current month, under Gas Rate No. S1, or 90% of the Utility's Storage WACOG at March 31.

Supply of Last Resort

If the 3rd Party Supplier or End-Use Customer acting as its own Supply Agent, defaults, as indicated by its failure to nominate and/or deliver gas supplies for three consecutive days, End-Use Customers who have contracted for gas supply services from 3rd Party Suppliers, or are acting as their own Supply Agent will have access to Supply of Last Resort Service from the Utility, under Gas Rate No. S3 if available. Supply of Last Resort Service, if available, will be provided until the first day of the End-Use Customer's next billing cycle, at which time Variable Rate Gas Supply Service, under Gas Rate No. S1, will apply for a minimum of one billing cycle, subject to the Utility's discretion. If End-Use Customers do not have Automated Meter Reading devices, usage applicable to Supply of Last Resort Service will be prorated.

GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Nominations

3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own Supply Agent, will be required to provide an estimate of Daily Gas Supply Nominations for the following month to the Utility by the required date, as stated in the Terms and Conditions for Gas Service, prior to the beginning of the month. 3rd Party Suppliers of End-Use Customers in a Supplier Group or Supplier Pool, and End-Use Customers acting as their own Supply Agent, also will be required to provide Daily Gas Supply Nominations to the Utility, as stated in the Terms and Conditions for Gas Service. The Utility retains the right to refuse Daily Gas Supply Nominations that vary significantly from the estimated daily nomination previously provided to the Utility.

Except as otherwise provided herein, 3rd Party Suppliers of Supplier Groups and Supplier Pools, and End-Use Customers acting as their own Supply Agent are required to provide 50% of their Daily Gas Supply Nominations on Panhandle Eastern Pipe Line and the remaining 50% on the Texas Gas Transmission Pipe Line and/or Heartland Gas Pipe Line (in any combination) at the 3rd Party Supplier's level.

Non-Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue a Non-Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If a Non-Economic OFO is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Non-Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Non-Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

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GAS RATE NO. D3 – GENERAL NON-HEAT DELIVERY SERVICE (Cont'd)

Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue an Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If an Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Unaccounted-For Gas and Company Use Gas

The Utility will retain the allowances for Unaccounted-For Gas and Company Use Gas of the volumes tendered for delivery to the End-Use Customer for Company Use Gas as approved by the Commission in Gas Rate No. S4.

Curtailment

Service under this rate schedule may be curtailed, as described in Terms and Conditions for Gas Service. If a Curtailment is declared, the Utility will notify End-Use Customers, and 3rd Party Suppliers, as soon as practicable, but not less than 30 minutes prior to the effective time. End-Use Customers may be directed to restrict their Gas consumption on an hourly or daily basis. End-Use Customers who do not comply with the Utility's request may be subject to Non-Performance Charges, under Gas Rate No. A4, for all Gas taken in excess of the Utility's order.

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463

Effective:

GAS RATE NO. D4

GENERAL HEATING DELIVERY SERVICE

APPLICABILITY:

This rate schedule applies to all gas delivered in a Month or any portion thereof for heating purposes for a single End-Use Customer through one Meter supplying a single Premise.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D4, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

Meter Class I - \$16.25 Per Meter Per Month
Meter Class II - \$54.00 Per Meter Per Month
Meter Class III - \$178.25 Per Meter Per Month

The total Facilities Charge will be the sum of all applicable per Meter charges.

METER CLASSIFICATIONS:

For the purpose of the application of the Facilities Charge under this rate schedule, the Utility's gas meters are classified as follows:

<u>Meter Class I</u> (CF/Hour)	<u>Meter Class II</u> (CF/Hour)	<u>Meter Class III</u> (CF/Hour)
250	8C	5000
425	800	5M
	1000	7M
	1400	11M
	2300	16M
	3000	23M

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GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

<u>Meter Class I</u> (CF/Hour)	<u>Meter Class II</u> (CF/Hour)	<u>Meter Class III</u> (CF/Hour)
	1.5M	38M
	3M	56M
		102M
		4 Turbo
		6 Turbo
		8 Turbo
		12 Turbo

DELIVERY CHARGE:

\$.1667 Per Therm For The First 500 Therms Delivered Each Month

\$.1508 Per Therm For The Next 1,500 Therms Delivered Each Month

\$.1376 Per Therm For The Next 3,000 Therms Delivered Each Month

\$.1270 Per Therm For All Therms Over 5,000 Delivered Each Month

In addition, applicable Balancing Charges from Rider A and the Customer Benefit Distribution/ Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and Energy Efficiency Adjustment from Rider E shall apply to all Therms delivered.

BASIC DELIVERY OPTION:

End-Use Customers with annual usage greater than 50,000 Therms at a Single Account are eligible to elect the Basic Delivery Service Option, in accordance with the Utility's requirements. End-Use Customers choosing the Basic Delivery Service Option must select a 3rd Party Supplier for gas supply service or act as their own Supply Agent.

**Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463**

Effective:

GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Delivery charges for Basic Delivery Service are as follows:

\$.1520 Per Therm For The First 500 Therms Delivered Each Month

\$.1363 Per Therm For The Next 1,500 Therms Delivered Each Month

\$.1233 Per Therm For The Next 3,000 Therms Delivered Each Month

\$.1127 Per Therm For All Therms Over 5,000 Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution/ Universal Service Program from Rider C, Normal Temperature Adjustment from Rider D, and Energy Efficiency Adjustment from Rider E shall apply to all Therms delivered.

End-Use Customers choosing the Basic Delivery Service Option must have Automatic Meter Reading (AMR) devices, provided by the Utility through Information Service, under Gas Rate No. A7.

GAS SUPPLY:

This rate schedule and the above-stated charges or adjustments do not provide for a supply of Gas. Gas Supply is available from the Utility through Variable-Rate Gas Supply Service, under Gas Rate No. S1.

When eligible under the Citizens Energy Select program, End-Use Customers may also choose to purchase gas supply from a 3rd Party Supplier.

End-Use Customers choosing not to make a gas supply selection, either from the Utility, or from a 3rd Party Supplier, will receive Variable-Rate Gas Supply Service under Gas Rate No. S1.

GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

End-Use Customers electing the Basic Delivery Service Option are eligible, but are not required, to act as their own Supply Agent. An End-Use Customer acting as a Supply Agent must be an approved bidder on CMS Panhandle Eastern Pipe Line and/or Texas Gas Transmission Corporation or its successor and is expected to perform all responsibilities normally handled by 3rd Party Suppliers. These include, but are not limited to, forecasting gas supply volumes, making Daily Gas Supply Nominations, and balancing their nominations, deliveries and usage. End-Use Customers acting as their own Supply Agent are responsible for charges for Supply Administration Service, under Gas Rate No. A1, as well as for Basic Usage Balancing Service, under Gas Rate No. A3, and, if applicable, Non-Performance Charges, under Gas Rate No. A4.

GAS SUPPLY FROM 3RD PARTY SUPPLIERS:

End-Use Customers may, when eligible under the Citizens Energy Select program, choose a 3rd Party Supplier to furnish a supply of Gas in accordance with the Utility's requirements. It is the End-Use Customer's responsibility to ensure that the 3rd Party Supplier delivers the directed proportion of gas supplies at delivery points designated by the Utility.

The Utility also reserves the right to bill the End-Use Customer at appropriate Gas Supply Service rates for Gas consumed in excess of Daily Gas Supply Deliveries, following cessation of any agreement with a 3rd Party Supplier.

Back-up Gas Supply Service, under Gas Rate No. S2, is available from the Utility to End-Use Customers for each Single Account with annual usage at a single meter greater than 50,000 Therms, and either choosing a 3rd Party Supplier, or acting as their own Supply Agent. Back-up Gas Supply Service provides for reservation of a designated level of pipeline capacity and gas supply to be available on a daily basis, in order to provide an additional measure of gas supply security. Back-up Gas Supply Service is only available to those customers choosing the Basic Delivery option and who have not opted out of Banking.

3rd Party Suppliers of End-Use Customers in a Supplier Pool will be notified on a daily basis as to the level of Forecasted Daily Requirements to be delivered by the 3rd Party Supplier on behalf of the End-Use Customer, the following Gas Day. Volumes to be delivered may include Banking

GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Volume Injections or Withdrawals. Daily Gas Supply Nominations and Daily Gas Supply Deliveries must equal the day's Forecasted Daily Requirements in order to avoid Delivery Imbalances and Non-Performance charges (see Imbalance Provisions).

Following expiration of their contracts with 3rd Party Suppliers, and with appropriate notice, as described in the accompanying Terms and Conditions for Gas Service, End-Use Customers may choose to purchase Gas Supply from the Utility under Gas Rate Nos. S1, with the Utility's approval.

End-Use Customers may switch 3rd Party Suppliers once each calendar year at no charge, but will not be permitted to switch from 3rd Party Supplier to System Supply or vice versa more than one time per 12-month period. End-Use Customers who switch 3rd Party Suppliers more than once each calendar year will be subject to Switching Charges, under Gas Rate No. A8.

Gas Imbalance Provisions

Delivery Imbalances for Supplier Pools, arising from differences in the level of Forecasted Daily Requirements compared to the level of Daily Gas Supply Deliveries, will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier in a Supplier Pool. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers through Non-Performance Charges under Gas Rate No. A4.

Usage Imbalances for Supplier Pools, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in Supplier Pools, will be calculated continually and used to adjust Forecasted Daily Requirements provided to 3rd Party Suppliers for remaining days in the month. Usage Balancing charges will not apply to Supplier Pools for Usage Imbalances.

Delivery Imbalances for Supplier Groups, or End-Use Customers acting as their own Supply Agent, arising from differences in the level of Daily Gas Supply Nominations compared to the level of Daily Gas Supply Deliveries to the Utility's gas system, will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier, in a Supplier Group, or End-Use Customers acting as their own Supply Agent. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Non-Performance No. A4.

GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Usage Imbalances for Supplier Groups, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in the Supplier Group, will be monitored, combined and netted, on a monthly basis. Unless an Operational Flow Order is issued, all monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Usage Balancing Service, under Gas Rate No. A2. In the event of an Operational Flow Order, monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Non-Performance Charges, under Gas Rate No. A4.

Basic Usage Imbalances, for Basic Delivery Service Customers, arising from differences in the level of Daily Gas Supply Deliveries compared to the level of gas consumed by the End-Use Customer, will be monitored for End-Use Customers acting as their own Supply Agent, or combined and netted, on a daily basis, for all End-Use Customers in a single Supplier Group. All daily net Basic Usage Imbalances will be calculated daily and charged, at month end, to 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, through Basic Usage Balancing Service, under Gas Rate No. A3.

Banking Service

All End-Use Customers contracting with 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, will be granted Customer Banking Volumes for use throughout the year.

Customer Banking Volumes will be granted periodically by the Utility to each End-Use Customer based on the ratio of the End-Use Customer's winter season (November through March) consumption to total Utility winter season throughput, both for the preceding heating season, times the storage capacity available for banking. New End-Use Customers will be granted Customer Banking Volumes based on usage of similar End-Use Customers, if more specific information is not available.

GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

If the End-Use Customer elects to change 3rd Party Suppliers, Customer Banking Volumes will remain with the End-Use Customer and will transfer from the former 3rd Party Supplier to the new 3rd Party Supplier, effective at the same time as the change in 3rd Party Supplier.

Incremental Banking Service

During the Election Period, the Utility will make available Incremental Banking Volumes, through Incremental Banking Service, under Gas Rate No. A9, to all End-Use Customers purchasing gas supply from a 3rd Party Supplier, End-Use Customers acting as their own Supply Agent, or a 3rd Party Supplier. Requirements for use of Incremental Banking Volumes acquired by 3rd Party Supplier or End-Use Customers either are identical to standard Banking Volumes as described below or are in accordance with the nondiscrimination standards determined by the Utility.

Nomination of Customer Banking Volumes

End-Use Customers' daily Banking Volume Injections or Withdrawals will be designated by their 3rd Party Supplier or End-Use Customers acting as their own Supply Agent. All Customer Banking Volumes requested to be injected or withdrawn must be nominated by the 3rd Party Supplier or End-Use Customers acting as their own Supply Agent by the end of the gas day in accordance with the required nomination procedures as described in the Terms and Conditions for Gas Service. Subject to the limitations described below, the Banking Injection or Withdrawal Nominations will be confirmed, in total or in part, at the sole discretion of the Utility.

Confirmed Banking Injection or Withdrawal Nominations will be used in the determination of Delivery and Usage Imbalances.

The Customer Banking Volume injection period will be the period from April 1 through October 31, inclusive. Customer Banking Volume injections shall not be permitted from November 1 through March 31. By October 31 of each year, all Banking Injection Nominations must have been delivered to the Utility's City Gate. The maximum Banking Volume Injection Quantity ("BVIQ") is one-one hundred and fiftieth (1/150) of the Customer Banking Volume, less remaining inventory from the previous year. Banking Withdrawal and Injection Nominations will be done ratably, or in accordance with the Utility's operational needs.

GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Permission for Banking Injection Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

If the granted Customer Banking Volume level is not reached by October 31, the Utility will purchase and inject the volume of Gas necessary to bring the Customer Banking Volume inventory to the assigned level and the End-Use Customer will be charged for that volume in accordance with the provisions of Gas Rate No. A2.

The Customer Banking Volume withdrawal period will be the period from November 1 through March 31, inclusive. Banking Withdrawal Nominations shall not be permitted from April 1 through October 31. The maximum Banking Volume Withdrawal Quantity ("BVWQ"), on any one day, shall be calculated as one-seventy fifth ($1/75$) of the granted Customer Banking Volumes. Banking Injection and Withdrawal Nominations will be done ratably or in accordance with the Utility's operational needs.

The BVWQ will be reduced as the withdrawal period progresses in accordance with the following table:

Applicable Dates	Maximum Daily Banking Withdrawal Quantity
Nov. 1 – Dec. 31	100% of BVWQ
Jan. 1 – Jan. 15	75% of BVWQ
Jan. 16 – Feb. 15	50% of BVWQ
Feb. 16 – Mar. 31	25% of BVWQ

Permission for Banking Withdrawal Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Customer Banking Volumes must be maintained at or above minimum Customer Banking Volume inventory levels, expressed as a percentage of total Customer Banking Volumes, over the winter season, in accordance with the following table:

Date	Minimum Customer Banking Volume Inventory % of Total Capacity
At January 31	19%
At February 28	9%

No End-Use Customers will be allowed to switch back to Variable-Rate Gas Supply Service under Gas Rate No. S1 during the winter season, unless the required minimum Customer Banking Volume Inventory balances noted above are maintained.

Up to 5% of Customer Banking Volumes may remain in inventory at the end of the withdrawal period (March 31) without penalty. If more than 5% of Customer Banking Volumes is left in inventory at the end of the withdrawal period, the Utility will purchase from the End-Use Customer all remaining Customer Banking Volumes above the 5% allowance. The purchase price will be the lesser of 90% of the applicable Variable-Rate Gas Supply Service, for the current month, under Gas Rate No. S1, or 90% of the Utility's Storage WACOG at March 31.

Supply of Last Resort

If the 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent, defaults, as indicated by its failure to nominate and/or deliver gas supplies for three consecutive days, End-Use Customers who have contracted for gas supply services from 3rd Party Suppliers, or are acting as their own Supply Agent, will have access to Supply of Last Resort Service from the Utility, under Gas Rate No. S3, if available. Supply of Last Resort Service, if available, will be provided until the first day of the End-Use Customer's next billing cycle, at which time Variable Rate Gas Supply Service, under Gas Rate No. S1, will apply for a minimum of one billing cycle, subject to the Utility's discretion. If End-Use Customers do not have Automated Meter Reading devices, usage applicable to Supply of Last Resort Service will be prorated.

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GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Nominations

3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own supply Agent, will be required to provide an estimate of Daily Gas Supply Nominations for the following month to the Utility by the required date, as stated in the Terms and Conditions for Gas Service, prior to the beginning of the month. 3rd Party suppliers of End-Use Customers in a Supplier Group or Supplier Pool, and End Use Customers acting as their own Supply Agent, also will be required to provide Daily Gas Supply Nominations to the Utility, as stated in the Terms and Conditions for Gas Service. The Utility retains the right to refuse Daily Gas Supply Nominations that vary significantly from the estimated daily nomination previously provided to the Utility.

Except as otherwise provided herein, 3rd Party Suppliers of Supplier Groups and Supplier Pools, and End-Use Customers acting as their own Supply Agent are required to provide 50% of their Daily Gas Supply Nominations on the Panhandle Eastern Pipe Line and the remaining 50% on the Texas Gas Transmission Pipe Line and/or Heartland Gas Pipe Line (in any combination) at the 3rd Party Supplier's level.

Non-Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue a Non-Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If a Non-Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Non-Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Non-Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

**Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463**

Effective:

GAS RATE NO. D4 – GENERAL HEATING DELIVERY SERVICE (Cont'd)

Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue an Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If an Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4

Unaccounted-For Gas and Company Use Gas

The Utility will retain the allowances for Unaccounted-For Gas and Company Use Gas of the volumes tendered for delivery to the End-Use Customer for Company Use Gas as approved by the Commission in Gas Rate No. S4.

Curtailment

Service under this rate schedule may be curtailed, as described in Terms and Conditions for Gas Service. If a Curtailment is declared, the Utility will notify End-Use Customers, and 3rd Party Suppliers, as soon as practicable, but not less than 30 minutes prior to the effective time. End-Use Customers may be directed to restrict their Gas consumption on an hourly or daily basis. End-Use Customers who do not comply with the Utility's request may be subject to Non-Performance Charges, under Gas Rate No. A4, for all Gas taken in excess of the Utility's order.

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GAS RATE NO. D5

LARGE VOLUME DELIVERY SERVICE

APPLICABILITY:

This rate schedule applies to all Gas delivered in a Month or any portion thereof for consumption for a single End-Use Customer through one or more Meters supplying a single Premise where the End-Use Customer used a minimum of 300,000 Therms of Gas during the twelve (12) Months prior to initiation of Gas Delivery Service under this rate schedule or, in the Utility's sole judgment, is expected to use such minimum Gas volume level during the first twelve (12) Months of service under this rate schedule.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D5, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

Meter Class I - \$50.00 Per Meter Per Month
Meter Class II - \$150.00 Per Meter Per Month
Meter Class III - \$600.00 Per Meter Per Month

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463

Effective:

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

METER CLASSIFICATIONS:

<u>Meter Class I</u> (CF/Hour)	<u>Meter Class II</u> (CF/Hour)	<u>Meter Class III</u> (CF/Hour)
250	8C	5000
425	800	5M
	1000	7M
	1400	11M
	2300	16M
	3000	23M
	1.5M	38M
	3M	56M
		102M
		4 Turbo
		6 Turbo
		8 Turbo
		12 Turbo

DEMAND CHARGE:

\$0.5000 Per Therm of Billing Demand Per Month

Billing demand is determined as the highest average daily consumption during any one of the previous billing months of November, December, January, February and March. Billing demands will be adjusted annually, with bills issued for April consumption.

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463

Effective:

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

DELIVERY CHARGE:

\$0.0792 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution / Universal Service Program from Rider C shall apply to all Therms delivered.

BASIC DELIVERY OPTION:

End-Use Customers are eligible to elect the Basic Delivery Service Option, in accordance with the Utility's requirements. End-Use Customers choosing the Basic Delivery Service Option must select a 3rd Party Supplier for gas supply service, or act as their own Supply Agent.

Basic Delivery Service charges are as follows:

\$0.0623 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution / Universal Service Program from Rider C shall apply to all Therms delivered.

End-Use Customers choosing the Basic Delivery Service Option must have Automatic Meter Reading Devices (AMR), provided by the Utility through Information Service, under Gas Rate No. A7.

GAS SUPPLY:

This rate schedule and the above-stated charges or adjustments do not provide for a supply of Gas. Gas Supply is available from the Utility through Variable-Rate Gas Supply Service, under Gas Rate No. S1.

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463

Effective:

GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

End-Use Customers choosing not to make a gas supply selection, either from the Utility, or from a 3rd Party Supplier, will receive Variable-Rate Gas Supply Service under Gas Rate No. S1.

End-Use Customers electing the Basic Delivery Service Option are eligible, but are not required, to act as their own Supply Agent. As a Supply Agent, they must be an approved bidder on CMS Panhandle Eastern Pipe Line and/or Texas Gas Transmission or their successors and are expected to perform all responsibilities normally handled by 3rd Party Suppliers. These include, but are not limited to, forecasting gas supply volumes, making pipeline and Utility Daily Gas Supply Nominations, and balancing their nominations, deliveries and usage. End-Use Customers acting as their own Supply Agent are responsible for charges for Supply Administration Service, under Gas Rate No. A1, as well as for Basic Usage Balancing Service, under Gas Rate No. A3, and, if applicable, Non-Performance Charges, under Gas Rate No. A4.

GAS SUPPLY FROM 3RD PARTY SUPPLIERS:

End-Use Customers may choose a 3rd Party Supplier to furnish a supply of Gas in accordance with the Utility's requirements. It is the End-Use Customer's responsibility to ensure that the 3rd Party Supplier delivers the directed proportion of gas supplies at delivery points designated by the Utility.

The Utility also reserves the right to bill the End-Use Customer at appropriate Gas Supply Service rates for Gas consumed in excess of Daily Gas Supply Deliveries, following cessation of any agreement with a 3rd Party Supplier.

GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

Back-up Gas Supply Service, under Gas Rate No. S2, is available from the Utility to End-Use Customers for each Single Account with an annual usage at a single meter greater than 50,000 Therms, and either choosing a 3rd Party Supplier or acting as their own Supply Agent. Back-up Gas Supply Service provides for reservation of a designated level of pipeline capacity and gas supply to be available on a daily basis, in order to provide an additional measure of gas supply security. Back-up Gas Supply Service is only available to those customers choosing the Basic Delivery option and who have not opted out of Banking.

Following expiration of their contracts with 3rd Party Suppliers, and with appropriate notice, as described in the accompanying Terms and Conditions for Gas Service, End-Use Customers may choose to purchase Gas Supply from the Utility under Gas Rate No. S1, with the Utility's approval.

End-Use Customers may switch 3rd Party Suppliers once each calendar year at no charge, but will not be permitted to switch from 3rd Party Supplier to System Supply or vice versa more than one time per 12-month period. End-Use Customers who switch 3rd Party Suppliers more than once each calendar year will be subject to Switching Charges, under Gas Rate No. A8.

Gas Imbalance Provisions

Delivery Imbalances for Supplier Groups, or End-Use Customers acting as their own Supply Agent, arising from differences in the level of Daily Gas Supply Nominations compared to the level of Daily Gas Supply Deliveries will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier, in a Supplier Group, or End-Use Customers acting as their own Supply Agent. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Non-Performance Charges, under Gas Rate No. A4.

Usage Imbalances for Supplier Groups, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in the Supplier Group, will be monitored, combined and netted, on a monthly basis. Unless an Operational Flow Order is issued, all monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Usage Balancing Service, under Gas Rate No. A2. In the event of an Operational Flow Order, monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Non-Performance Charges, under Gas Rate No. A4.

GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

In addition to the Basic Delivery Service Charges applicable to End-Use Customers selecting Basic Delivery Service, Basic Usage Imbalances, for Basic Delivery Service customers, arising from differences in the level of Daily Gas Supply Deliveries compared to the level of gas consumed by the End-Use Customer, will be monitored for End-Use Customers acting as their own Supply Agent, or combined and netted, on a daily basis, for all End-Use Customers in a single Supplier Group. All daily net Basic Usage Imbalances will be calculated daily and charged, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Basic Usage Balancing Service, under Gas Rate No. A3.

Banking Service

All End-Use Customers contracting with 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, will be granted Customer Banking Volumes for use throughout the year.

Customer Banking Volumes will be granted periodically by the Utility to each End-Use Customer based on the ratio of the End-Use Customer's winter season (November through March) consumption to total Utility winter season throughput, both for the preceding heating season times storage capacity available for banking. New End-Use Customers will be granted Customer Banking Volumes based on usage of similar End-Use Customers, if more specific information is not available.

If the End-Use Customer elects to change 3rd Party Suppliers, Customer Banking Volumes will remain with the End-Use Customer and will transfer from the former 3rd Party Supplier to the new 3rd Party Supplier, effective at the same time as the change in 3rd Party Supplier.

GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

Banking Service Option

End-Use Customers selecting Basic Delivery Service, with annual usage in excess of 1,000,000 Therms, may opt-out of Banking Service on an annual basis in accordance with the following procedures. An eligible End-Use Customer must sign an agreement with the Utility to verify its intent to opt-out of Banking Service. Elections must occur during the Election Period, and are in force for a minimum twelve-month period. Elections become effective beginning April 1 and remain effective through March 31 of subsequent years, until the End-Use Customer requests to re-elect Banking Service during an Election Period. The End-Use Customer's ability to re-elect Banking Service is subject to the Utility's determination that sufficient interstate pipeline capacity, and/or on-system storage capacity, either exists, or can be procured by the Utility. Any costs incurred by the Utility to arrange for a re-election to Banking Service will be charged to the End-Use Customer returning. A reasonable estimate of the costs will be provided to the End-Use Customer before the End-Use Customer decides whether to re-elect Banking Service.

Basic Delivery Service charges for End-Use Customers that have opted-out of Banking Service are as follows:

\$0.0560 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution/Universal Service Program from Rider C shall apply to all Therms delivered.

Incremental Banking Service

During the Election Period, the Utility will make available Incremental Banking Volumes, through Incremental Banking Service, under Gas Rate No. A9, to all End-Use Customers purchasing gas supply from a 3rd Party Supplier, End-Use Customers acting as their own Supply Agent or 3rd Party Suppliers. Requirements for use of Incremental Banking Volumes acquired by 3rd Party Suppliers or End-Use Customers either are identical to standard Banking Volumes as described below, or are in accordance with non-discriminatory standards determined by the Utility. Incremental Banking Service is only available to those customers who have not opted out of banking.

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GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

Nomination of Customer Banking Volumes

End-Use Customers' daily Banking Volume Injections or Withdrawals will be designated by their 3rd Party Supplier or End-Use Customers acting as their own Supply Agent. All Customer Banking Volumes requested to be injected or withdrawn must be nominated by the 3rd Party Supplier or End-Use Customers acting as their own Supply Agent, by the end of the gas day, in accordance with the required nomination procedures as described in the Terms and Conditions for Gas Service. Subject to the limitations described below, the Banking Injection or Withdrawal Nominations will be confirmed, in total or part, in the sole discretion of the Utility.

Confirmed Banking Injection or Withdrawal Nominations will be used in the determination of Delivery and Usage Imbalances.

The Customer Banking Volume injection period will be the period from April 1 through October 31, inclusive. Customer Banking Volume injections shall not be permitted from November 1 through March 31. By October 31 of each year, all Banking Injection Nominations must have been delivered to the Utility's City Gate. The maximum Banking Volume Injection Quantity ("BVIQ") is one-one hundred and fiftieth (1/150) of the Customer Banking Volume, less remaining inventory from the previous year. Banking Withdrawal and Injection Nominations will be done ratably, or in accordance with the Utility's operational needs.

Permission for Banking Injection Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463

Effective:

GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

If the granted Customer Banking Volume level is not reached by October 31, the Utility will purchase and inject the volume of Gas necessary to bring the Customer Banking Volume inventory to the assigned level and the End-Use Customer will be charged for that volume in accordance with the provisions of Gas Rate No. A2.

The Customer Banking Volume withdrawal period will be the period from November 1 through March 31, inclusive. Banking Withdrawal Nominations shall not be permitted from April 1 through October 31. The maximum Banking Volume Withdrawal Quantity ("BVWQ"), on any one day, shall be calculated as one-seventy fifth ($1/75$) of the granted Customer Banking Volumes. Banking Injection and Withdrawal Nominations will be done ratably or in accordance with the Utility's operational needs.

The BVWQ will be reduced as the withdrawal period progresses in accordance with the following table:

Applicable Dates	Maximum Daily Banking Withdrawal Quantity
Nov. 1 – Dec. 31	100% of BVWQ
Jan. 1 – Jan. 15	75% of BVWQ
Jan. 16 – Feb. 15	50% of BVWQ
Feb. 16 – March 31	25% of BVWQ

Permission for Banking Withdrawal Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

Customer Banking Volumes must be maintained at or above minimum Customer Banking Volume inventory levels, expressed as a percentage of total Customer Banking Volumes, over the winter season, in accordance with the following table:

Date	Minimum Customer Banking Volume Inventory % of Total Capacity
At January 31	19%
At February 28	9%

No End-Use Customers will be allowed to switch back to Variable-Rate Gas Supply Service, under Gas Rate No. S1 during the winter season, unless the required minimum Customer Banking Volume Inventory balances noted above are maintained.

Up to 5% of Customer Banking Volumes may remain in inventory at the end of the withdrawal period (March 31) without penalty. If more than 5% of Customer Banking Volumes is left in inventory at the end of the withdrawal period, the Utility will purchase from the End-Use Customer all remaining Customer Banking Volumes above the 5% allowance. The purchase price will be the lesser of 90% of the applicable Variable-Rate Gas Supply Service, for the current month, under Gas Rate No. S1, or 90% of the Utility's Storage WACOG at March 31.

Supply of Last Resort

If the 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent, defaults, as indicated by its failure to nominate and/or deliver gas supplies for three consecutive days, End-Use Customers who have contracted for gas supply services from 3rd Party Suppliers, or are acting as their own Supply Agent, will have access to Supply of Last Resort Service from the Utility, under Gas Rate

GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

No. S3, if available. Supply of Last Resort Service, if available, will be provided until the first day of the End-Use Customer's next billing cycle, at which time Variable Rate Gas Supply Service, under Gas Rate No. S1, will apply for a minimum of one billing cycle, subject to the Utility's discretion. If End-Use Customers do not have Automated Meter Reading devices, usage applicable to Supply of Last Resort Service will be prorated.

Nominations

3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own Supply Agent, will be required to provide an estimate of Daily Gas Supply Nominations for the following month to the Utility by the required date, as stated in the Terms and Conditions for Gas Service, prior to the beginning of the month. 3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own Supply Agent, also will be required to provide Daily Gas Supply Nominations to the Utility, as stated in the Terms and Conditions for Gas Service. The Utility retains the right to refuse Daily Gas Supply Nominations that vary significantly from the estimated daily nomination previously provided to the Utility.

Except as otherwise provided herein, 3rd Party Suppliers of Supplier Groups and Supplier Pools, and End-Use Customers acting as their own Supply Agent, are required to provide 50% of their Daily Gas Supply Nominations on the Panhandle Eastern Pipe Line and the remaining 50% on the Texas Gas Transmission Pipe Line and/or Heartland Gas Pipe Line (in any combination), at the 3rd Party Supplier's level. The Utility will allow, on a first-come, first-served basis, End-Use Customers with annual usage greater than 1,000,000 Therms, to notify the Utility, in writing, of an intent to nominate volumes that do not comply with the previously stated requirement regarding nomination amounts on all interstate pipelines connected to the Utility's distribution system. The initial total usage of End-Use Customers that can be exempt from the requirement is 5 Bcf. As participating End-Use Customers change their nomination practices to comply with the Utility's requirement, the Utility will open a 30-day sign-up period, allocated on a first-come, first-served basis, for additional End-Use Customers interested in nominating volumes that do not comply with the Utility's requirement.

GAS RATE NO. D5 – LARGE VOLUME DELIVERY SERVICE (Cont'd)

Non-Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue a Non-Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If a Non-Economic OFO is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Non-Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Non-Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue an Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If an Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Unaccounted-For Gas and Company Use Gas

The Utility will retain the allowances for Unaccounted-For Gas and Company Use Gas of the volumes tendered for delivery to the End-Use Customer for Company Use Gas as approved by the Commission in Gas Rate No. S4.

Curtailment

Service under this rate schedule may be curtailed, as described in Terms and Conditions for Gas Service. If a Curtailment is declared, the Utility will notify End-Use Customers, and 3rd Party Suppliers, as soon as practicable, but not less than 30 minutes prior to the effective time. End-Use Customers may be directed to restrict their Gas consumption on an hourly or daily basis. End-Use Customers who do not comply with the Utility's request may be subject to Non-Performance Charges, under Gas Rate No. A4, for all Gas taken in excess of the Utility's order.

GAS RATE NO. D7

COMPRESSED NATURAL GAS DELIVERY SERVICE (CNG)

APPLICABILITY:

This rate schedule applies to all Gas delivered in a month or any portion thereof for a single End-Use Customer through one Meter supplying a single Premise for purposes limited exclusively to the conversion of such Gas to compressed natural Gas for use in fueling motorized vehicles. The customer shall not use the Gas delivered under this rate for any other purpose.

SPECIAL PROVISIONS:

All Gas served hereunder to the CNG facility must be metered separately from any other gas consuming equipment located on the premises, and will be billed separately and independently of any other usage through such equipment.

The customer shall be responsible for payment of all federal, state and local taxes. The customer shall reimburse the Utility for all taxes payable by the Utility to governmental bodies on the sale of natural gas for use as CNG.

Incorporated herein, and made part of this Gas Rate No. D7, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

\$100.00 Per Month

The facilities charge is only applicable where natural gas is provided to a customer operating a CNG facility. No facilities charge shall apply if the Utility owns and operates the CNG facility.

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GAS RATE NO. D7 – COMPRESSED NATURAL GAS DELIVERY SERVICE (CNG)
(Cont'd)

DISTRIBUTION CHARGE:

For natural gas provided to a CNG facility:

\$0.7101 Per Therm

In addition, applicable Balancing Charges from Rider A and the Customer Benefit Distribution/Universal Service Program from Rider C will apply to all Therms delivered.

GAS SUPPLY:

This rate schedule and the above-stated charges do not provide for a supply of gas. Gas Supply is available from the Utility under Gas Rate No. S1. End-Use Customers also may, if eligible, choose a 3rd Party Supplier to furnish a supply of gas in accordance with the Utility's requirements. Customers failing to make a supply selection will receive Gas Supply under Gas Rate No. S1, Variable-Rate Gas Supply Service.

**Current base rates effective pursuant to
I.U.R.C. Order in Cause No. 43463**

Effective:

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GAS RATE NO. D9

HIGH LOAD DELIVERY SERVICE

APPLICABILITY:

This rate schedule applies to all Gas delivered in a Month or any portion thereof for consumption for a single End-Use Customer through one or more Meters supplying a single Premise where the End-Use Customer used a minimum of 2,000,000 Therms of Gas with a load factor (i.e., average daily Gas usage divided by billing demand) of greater than 50% during the twelve (12) Months prior to initiation of Gas Delivery Service under this rate schedule or, in the Utility's sole judgment, is expected to use such minimum Gas volume level during the first twelve (12) Months of service under this rate schedule.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. D9, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

FACILITIES CHARGE:

Meter Class I - \$50.00 Per Meter Per Month
Meter Class II - \$150.00 Per Meter Per Month
Meter Class III - \$600.00 Per Meter Per Month

**Current rates effective pursuant to
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Effective:

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GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

METER CLASSIFICATIONS:

<u>Meter Class I</u> (CF/Hour)	<u>Meter Class II</u> (CF/Hour)	<u>Meter Class III</u> (CF/Hour)
250	8C	5000
425	800	5M
	1000	7M
	1400	11M
	2300	16M
	3000	23M
	1.5M	38M
	3M	56M
		102M
		4 Turbo
		6 Turbo
		8 Turbo
		12 Turbo

DEMAND CHARGE:

\$0.5000 Per Therm of Billing Demand Per Month

Billing demand is determined as the highest average daily consumption during any one of the previous billing months of November, December, January, February and March. Billing demands will be adjusted annually, with bills issued for April consumption.

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463

Effective:

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

DELIVERY CHARGE:

\$0.0506 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution / Universal Service Program from Rider C shall apply to all Therms delivered.

BASIC DELIVERY OPTION:

End-Use Customers are eligible to elect the Basic Delivery Service Option, in accordance with the Utility's requirements. End-Use Customers choosing the Basic Delivery Service Option must select a 3rd Party Supplier for gas supply service, or act as their own Supply Agent

Basic Delivery Service charges are as follows:

\$0.0399 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution / Universal Service Program from Rider C shall apply to all Therms delivered.

End-Use Customers choosing the Basic Delivery Service Option must have Automatic Meter Reading Devices (AMR), provided by the Utility through Information Service, under Gas Rate No. A7.

GAS SUPPLY:

This rate schedule and the above-stated charges or adjustments do not provide for a supply of Gas. Should supply of Gas be required, End-Use Customer must transfer to Gas Rate No. D5. If customer transfers to D5 Gas Supply is available from the Utility through Variable-Rate Gas Supply Service, under Gas Rate No. S1.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

End-Use Customers electing the Basic Delivery Service Option are eligible, but are not required, to act as their own Supply Agent. As a Supply Agent, they must be an approved bidder on CMS Panhandle Eastern Pipe Line and/or Texas Gas Transmission or their successors and are expected to perform all responsibilities normally handled by 3rd Party Suppliers. These include, but are not limited to, forecasting gas supply volumes, making pipeline and Utility Daily Gas Supply Nominations, and balancing their nominations, deliveries and usage. End-Use Customers acting as their own Supply Agent are responsible for charges for Supply Administration Service, under Gas Rate No. A1, as well as for Basic Usage Balancing Service, under Gas Rate No. A3, and, if applicable, Non-Performance Charges, under Gas Rate No. A4.

GAS SUPPLY FROM 3RD PARTY SUPPLIERS:

End-Use Customers will choose a 3rd Party Supplier to furnish a supply of Gas in accordance with the Utility's requirements. It is the End-Use Customer's responsibility to ensure that the 3rd Party Supplier delivers the directed proportion of gas supplies at delivery points designated by the Utility.

The Utility also reserves the right to bill the End-Use Customer at appropriate Balancing Service rates for Gas consumed in excess of Daily Gas Supply Deliveries, following cessation of any agreement with a 3rd Party Supplier if an agreement has not been reached with another 3rd Party Supplier to immediately initiate deliveries on behalf of the End-Use.

Back-up Gas Supply Service, under Gas Rate No. S2, is available from the Utility to End-Use Customers for each Single Account with an annual usage at a single meter greater than 50,000 Therms, and either choosing a 3rd Party Supplier or acting as their own Supply Agent. Back-up Gas Supply Service provides for reservation of a designated level of pipeline capacity and gas supply to be available on a daily basis, in order to provide an additional measure of gas supply security. Back-up Gas Supply Service is only available to those customers choosing the Basic Delivery option and who have not opted out of Banking.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

End-Use Customers may switch 3rd Party Suppliers once each calendar year at no charge, but will not be permitted to switch from 3rd Party Supplier to System Supply or vice versa more than one time per 12-month period. End-Use Customers who switch 3rd Party Suppliers more than once each calendar year will be subject to Switching Charges, under Gas Rate No. A8.

Gas Imbalance Provisions

Delivery Imbalances for Supplier Groups, or End-Use Customers acting as their own Supply Agent, arising from differences in the level of Daily Gas Supply Nominations compared to the level of Daily Gas Supply Deliveries will be monitored on a daily basis and accumulated monthly for all End-Use Customers of a 3rd Party Supplier, in a Supplier Group, or End-Use Customers acting as their own Supply Agent. Charges for all Delivery Imbalances will be billed, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Non-Performance Charges, under Gas Rate No. A4.

Usage Imbalances for Supplier Groups, arising from differences in the level of accumulated Daily Gas Supply Deliveries compared to the level of gas consumed by End-Use Customers in the Supplier Group, will be monitored, combined and netted, on a monthly basis. Unless an Operational Flow Order is issued, all monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Usage Balancing Service, under Gas Rate No. A2. In the event of an Operational Flow Order, monthly net Usage Imbalances will be charged, at month end, to 3rd Party Suppliers through Non-Performance Charges, under Gas Rate No. A4.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

In addition to the Basic Delivery Service Charges applicable to End-Use Customers selecting Basic Delivery Service, Basic Usage Imbalances, for Basic Delivery Service customers, arising from differences in the level of Daily Gas Supply Deliveries compared to the level of gas consumed by the End-Use Customer, will be monitored for End-Use Customers acting as their own Supply Agent, or combined and netted, on a daily basis, for all End-Use Customers in a single Supplier Group. All daily net Basic Usage Imbalances will be calculated daily and charged, at month end, to 3rd Party Suppliers, or to End-Use Customers acting as their own Supply Agent, through Basic Usage Balancing Service, under Gas Rate No. A3.

Banking Service

All End-Use Customers contracting with 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, will be granted Customer Banking Volumes for use throughout the year.

Customer Banking Volumes will be granted periodically by the Utility to each End-Use Customer based on the ratio of the End-Use Customer's winter season (November through March) consumption to total Utility winter season throughput, both for the preceding heating season times storage capacity available for banking. New End-Use Customers will be granted Customer Banking Volumes based on usage of similar End-Use Customers, if more specific information is not available.

If the End-Use Customer elects to change 3rd Party Suppliers, Customer Banking Volumes will remain with the End-Use Customer and will transfer from the former 3rd Party Supplier to the new 3rd Party Supplier, effective at the same time as the change in 3rd Party Supplier.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

Banking Service Option

End-Use Customers receiving service under this rate schedule and selecting Basic Delivery Service, may opt-out of Banking Service on an annual basis in accordance with the following procedures. An eligible End-Use Customer must sign an agreement with the Utility to verify its intent to opt-out of Banking Service. Elections must occur during the Election Period, and are in force for a minimum twelve-month period. Elections become effective beginning April 1 and remain effective through March 31 of subsequent years, until the End-Use Customer requests to re-elect Banking Service during an Election Period. The End-Use Customer's ability to re-elect Banking Service is subject to the Utility's determination that sufficient interstate pipeline capacity, and/or on-system storage capacity, either exists, or can be procured by the Utility. Any costs incurred by the Utility to arrange for a re-election to Banking Service will be charged to the End-Use Customer returning. A reasonable estimate of the costs will be provided to the End-Use Customer before the End-Use Customer decides whether to re-elect Banking Service.

Basic Delivery Service charges for End-Use Customers that have opted-out of Banking Service are as follows:

\$0.0336 Per Therm Delivered Each Month

In addition, applicable Balancing Charges from Rider A and Customer Benefit Distribution/ Universal Service Program from Rider C shall apply to all Therms delivered.

Incremental Banking Service

During the Election Period, the Utility will make available Incremental Banking Volumes, through Incremental Banking Service, under Gas Rate No. A9, to all End-Use Customers purchasing gas supply from a 3rd Party Supplier, End-Use Customers acting as their own Supply Agent or 3rd Party Suppliers. Requirements for use of Incremental Banking Volumes acquired by 3rd Party Suppliers or End-Use Customers either are identical to standard Banking Volumes as described below, or are in accordance with non-discriminatory standards determined by the Utility. Incremental Banking Service is only available to those customers who have not opted out of banking.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

Nomination of Customer Banking Volumes

End-Use Customers' daily Banking Volume Injections or Withdrawals will be designated by their 3rd Party Supplier or End-Use Customers acting as their own Supply Agent. All Customer Banking Volumes requested to be injected or withdrawn must be nominated by the 3rd Party Supplier or End-Use Customers acting as their own Supply Agent, by the end of the gas day, in accordance with the required nomination procedures as described in the Terms and Conditions for Gas Service. Subject to the limitations described below, the Banking Injection or Withdrawal Nominations will be confirmed, in total or part, in the sole discretion of the Utility.

Confirmed Banking Injection or Withdrawal Nominations will be used in the determination of Delivery and Usage Imbalances.

The Customer Banking Volume injection period will be the period from April 1 through October 31, inclusive. Customer Banking Volume injections shall not be permitted from November 1 through March 31. By October 31 of each year, all Banking Injection Nominations must have been delivered to the Utility's City Gate. The maximum Banking Volume Injection Quantity ("BVIQ") is one-one hundred and fiftieth (1/150) of the Customer Banking Volume, less remaining inventory from the previous year. Banking Withdrawal and Injection Nominations will be done ratably, or in accordance with the Utility's operational needs.

Permission for Banking Injection Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

If the granted Customer Banking Volume level is not reached by October 31, the Utility will purchase and inject the volume of Gas necessary to bring the Customer Banking Volume inventory to the assigned level and the End-Use Customer will be charged for that volume in accordance with the provisions of Gas Rate No. A2.

The Customer Banking Volume withdrawal period will be the period from November 1 through March 31, inclusive. Banking Withdrawal Nominations shall not be permitted from April 1 through October 31. The maximum Banking Volume Withdrawal Quantity ("BVWQ"), on any one day, shall be calculated as one-seventy fifth ($1/75$) of the granted Customer Banking Volumes. Banking Injection and Withdrawal Nominations will be done ratably or in accordance with the Utility's operational needs.

The BVWQ will be reduced as the withdrawal period progresses in accordance with the following table:

Applicable Dates	Maximum Daily Banking Withdrawal Quantity
Nov. 1 – Dec. 31	100% of BVWQ
Jan. 1 – Jan. 15	75% of BVWQ
Jan. 16 – Feb. 15	50% of BVWQ
Feb. 16 – March 31	25% of BVWQ

Permission for Banking Withdrawal Nominations in excess of the amounts set forth in the preceding section may be requested. Utility may, at its sole discretion, honor such request without discrimination.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

Customer Banking Volumes must be maintained at or above minimum Customer Banking Volume inventory levels, expressed as a percentage of total Customer Banking Volumes, over the winter season, in accordance with the following table:

Date	Minimum Customer Banking Volume Inventory % of Total Capacity
At January 31	19%
At February 28	9%

No End-Use Customers will be allowed to switch back to Variable-Rate Gas Supply Service, under Gas Rate No. S1 during the winter season, unless the required minimum Customer Banking Volume Inventory balances noted above are maintained.

Up to 5% of Customer Banking Volumes may remain in inventory at the end of the withdrawal period (March 31) without penalty. If more than 5% of Customer Banking Volumes is left in inventory at the end of the withdrawal period, the Utility will purchase from the End-Use Customer all remaining Customer Banking Volumes above the 5% allowance. The purchase price will be the lesser of 90% of the applicable Variable-Rate Gas Supply Service, for the current month, under Gas Rate No. S1, or 90% of the Utility's Storage WACOG at March 31.

Supply of Last Resort

If the 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent, defaults, as indicated by its failure to nominate and/or deliver gas supplies for three consecutive days, End-Use Customers who have contracted for gas supply services from 3rd Party Suppliers, or are acting as their own Supply Agent, will have access to Supply of Last Resort Service from the Utility, under Gas Rate

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

No. S3, if available. Supply of Last Resort Service, if available, will be provided until another 3rd party supplier can be arranged. If End-Use Customers do not have Automated Meter Reading devices, usage applicable to Supply of Last Resort Service will be prorated.

Nominations

3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own Supply Agent, will be required to provide an estimate of Daily Gas Supply Nominations for the following month to the Utility by the required date, as stated in the Terms and Conditions for Gas Service, prior to the beginning of the month. 3rd Party Suppliers of End-Use Customers in a Supplier Group, and End-Use Customers acting as their own Supply Agent, also will be required to provide Daily Gas Supply Nominations to the Utility, as stated in the Terms and Conditions for Gas Service. The Utility retains the right to refuse Daily Gas Supply Nominations that vary significantly from the estimated daily nomination previously provided to the Utility.

Except as otherwise provided herein, 3rd Party Suppliers of Supplier Groups and Supplier Pools, and End-Use Customers acting as their own Supply Agent, are required to provide 50% of their Daily Gas Supply Nominations on the Panhandle Eastern Pipe Line and the remaining 50% on the Texas Gas Transmission Pipe Line and/or Heartland Gas Pipe Line (in any combination), at the 3rd Party Supplier's level. The Utility will allow, on a first-come, first-served basis, End-Use Customers with annual usage greater than 1,000,000 Therms, to notify the Utility, in writing, of an intent to nominate volumes that do not comply with the previously stated requirement regarding nomination amounts on all interstate pipelines connected to the Utility's distribution system. The initial total usage of End-Use Customers that can be exempt from the requirement is 5 Bcf. As participating End-Use Customers change their nomination practices to comply with the Utility's requirement, the Utility will open a 30-day sign-up period, allocated on a first-come, first-served basis, for additional End-Use Customers interested in nominating volumes that do not comply with the Utility's requirement.

GAS RATE NO. D9 – HIGH LOAD DELIVERY SERVICE (Cont'd)

Non-Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue a Non-Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If a Non-Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Non-Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Non-Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Economic Operational Flow Order

The Utility, in its discretion, shall have the right to issue an Economic Operational Flow Order in accordance with the provisions stated in the Terms and Conditions for Gas Service. If an Economic Operational Flow Order is declared, the Utility will notify the affected 3rd Party Suppliers or End-Use Customers acting as their own Supply Agent, in accordance with the Economic Operational Flow Order procedures stated in the Terms and Conditions for Gas Service. 3rd Party Suppliers, or End-Use Customers acting as their own Supply Agent, who do not comply with the Economic Operational Flow Order, will be subject to the Operational Flow Order imbalance provisions of Basic Usage Balancing Service, under Gas Rate No. A3, or Non-Performance Charges, under Gas Rate No. A4.

Unaccounted-For Gas and Company Use Gas

The Utility will retain the allowances for Unaccounted-For Gas and Company Use Gas of the volumes tendered for delivery to the End-Use Customer for Company Use Gas as approved by the Commission in Gas Rate No. S4.

Curtailment

Service under this rate schedule may be curtailed, as described in Terms and Conditions for Gas Service. If a Curtailment is declared, the Utility will notify End-Use Customers, and 3rd Party Suppliers, as soon as practicable, but not less than 30 minutes prior to the effective time. End-Use Customers may be directed to restrict their Gas consumption on an hourly or daily basis. End-Use Customers who do not comply with the Utility's request may be subject to Non-Performance Charges, under Gas Rate No. A4, for all Gas taken in excess of the Utility's order.

GAS RATE NO. S1

VARIABLE-RATE GAS SUPPLY SERVICE

APPLICABILITY:

This rate schedule applies to all gas supplied in a month or any portion thereof and delivered under Gas Rate Nos. D1, D2, D3, D4, D5 and D7 unless an eligible End-Use Customer has contracted with a 3rd Party Supplier for gas supply service.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. S1, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

GAS SUPPLY CHARGE:

The currently applicable charge for all gas supplied under this Gas Rate No. S1 is identified on Rider A. The Gas Supply Charge is subject to change on a monthly basis.

3rd PARTY SUPPLIER:

Eligible End-Use Customers may select a 3rd Party Supplier to provide gas supply instead of the Utility. Such selections shall be governed by the Utility's requirements as described in the Terms and Conditions for Gas Service.

GAS RATE NO. S2

BACK-UP GAS SUPPLY SERVICE

APPLICABILITY:

This rate schedule is applicable to End-Use Customers for each Single Account with annual usage greater than 50,000 Therms using Basic Delivery Service in Gas Rate Nos. D3, D4, D5, and D9 who have elected Back-up Gas Supply Service in accordance with the Utility's requirements. Customers utilizing Back-Up Gas Supply Service must have automated meter reading devices, under Gas Rate No. A7.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. S2, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

CAPACITY CHARGE:

The applicable capacity charge for all back-up gas supply volumes contracted under this Gas Rate No. S2 is set quarterly. The current applicable capacity charge is identified on Rider A.

COMMODITY CHARGE:

The applicable charge for all gas supplied under this Gas Rate No. S2 is set each month and is identified on Rider A.

BILLING:

End-Use Customers electing Back-up Gas Supply Service will select a level of Back-up Gas Supply Service annually. Each month, capacity charges will be determined based on that level of Back-up Gas Supply Service chosen. Commodity charges are billed only as incurred for Gas Delivery Service Customers under Gas Rate Nos. D3, D4, D5, and D9. This service is not available to customers who have opted out of Banking.

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GAS RATE NO. S3

SUPPLY OF LAST RESORT

APPLICABILITY:

This rate schedule is applicable to End-Use Customers who have chosen a 3rd Party Supplier in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. S3, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

CAPACITY CHARGE:

The applicable capacity charge for all supply volumes supplied under this Gas Rate No. S3 is set quarterly. The current applicable capacity charge is identified on Rider B.

COMMODITY CHARGE:

The applicable commodity charge for all gas supplied under this Gas Rate No. S3 is set each month and is identified on Rider B (highest day's price for the month).

BILLING:

End-Use Customers who have chosen a 3rd Party Supplier, who has defaulted, by failing to nominate and/or deliver Gas Supply for three (3) consecutive days, will be billed Supply of Last Resort, under Gas Rate No. S3, for any volumes used in excess of accumulated Daily Gas Supply Deliveries for the month, beginning with the fourth day following default, until the end of the End-Use Customer's current billing cycle.

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 43463

Effective:

GAS RATE NO. S4

UNACCOUNTED-FOR GAS AND COMPANY USE GAS

APPLICABILITY:

This rate schedule is applicable to 3rd Party Suppliers of a Supplier Group or End-Use Customers acting as their own Supply Agent in accordance with the Utility's requirements.

DESCRIPTION:

1. 0.76% of the quantities received by the Utility from 3rd Party Suppliers of a Supplier Group or End-Use Customers acting as their own Supply Agent at a point of receipt on the Utility's distribution system shall be retained by the Utility to compensate for Unaccounted-For gas. The Unaccounted-For Gas Percentage stated above shall be reviewed and adjusted annually by the Utility, through updating of this Tariff sheet after approval by the Commission, to reflect any changes in the system Unaccounted-For Gas percentage.
2. 0.58% of the quantities received by the Utility from 3rd Party Suppliers of a Supplier Group or End-Use Customers acting as their own Supply Agent at a point of receipt on the Utility's distribution system shall be retained by the Utility to compensate for Company Use Gas. The Company Use Gas stated above shall be reviewed and adjusted annually by the Utility, through updating of this Tariff sheet after approval by the Commission, to reflect any changes in the system Company Use Gas percentage.

GAS RATE NO. A1

SUPPLY ADMINISTRATION SERVICE

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to End-Use Customers, and to End-Use Customers acting as their own Supply Agent, in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A1, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

APPLICATION:

3rd Party Suppliers, and End-Use Customers wishing to act as their own Supply Agent, are required to apply for approval to provide gas supply services to End-Use Customers. Only entities listed as approved bidders on CMS Panhandle Eastern Pipe Line Company and Texas Gas Transmission Corporation or their successors are eligible to apply. Applications must be accompanied by a nonrefundable \$1,000 application fee.

SUPPLIER APPLICATIONS:

All 3rd Party Suppliers approved to provide gas supply service to End-Use Customers must submit a 3rd Party Supplier Application to Citizens Gas and comply with Supplier Access Requirements, as defined in the Terms and Conditions for Gas Service. 3rd Party Suppliers, and End-Use Customers acting as their own Supply Agent, are required to comply with all requirements of Gas Delivery service under Gas Rate Nos. D3, D4, D5 and D9. Services to bill End-Use Customers for gas supply charges are automatically provided to 3rd Party Suppliers under terms of Billing Service, under Gas Rate No. A5.

GAS RATE NO. A1 – SUPPLY ADMINISTRATION SERVICE (Cont'd)

ADMINISTRATIVE SERVICE FEES:

The Utility shall bill 3rd Party Suppliers, and applicable End-Use Customers, the following charges for Supply Administration Services which support End-Use Customer-specific supply transactions. Those services include, but are not limited to, nominations, confirmations, scheduling, daily requirements forecasting, imbalance administration, banking coordination, supplier compliance and contract administration. The charges reflect the character of the End-Use Customer accounts, and participation in Supplier Groups or Supplier Pools. Charges to 3rd Party Suppliers include:

\$100 Per Month Per Supplier Group plus \$5 Per Month Per Single Account electing standard Gas Delivery Service

\$100 Per Month Per Supplier Pool plus \$5 Per Month Per Single Account

\$180 Per Month per Single Account electing the Basic Delivery Service Option

Charges to End-Use Customers acting as their own Supply Agent:

\$180 Per Month per Single Account

BILLING

Charges are billed to 3rd Party Suppliers and End-Use Customers acting as their own Supply Agent at month end.

GAS RATE NO. A2

USAGE BALANCING SERVICE

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to a Supplier Group of End-Use Customers, or to End-Use Customers acting as their own Supply Agent, in accordance with the Utility's requirements and other End-Use Customers as applicable.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A2, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

USAGE IMBALANCES

The Utility shall cash out monthly a 3rd Party Supplier, or End-Use Customers acting as their own Supply Agent, the following in connection with positive or negative monthly net Usage Imbalances associated with a Supplier Group of End-Use Customers, or an End-Use Customer acting as its own Supply Agent, receiving Gas Delivery Service under Gas Rate Nos. D3, D4, D5, D7 and D9.

Negative monthly net Usage Imbalances reflect situations where a Supplier Group of End-Use Customers, or an End-Use Customer acting as its own Supply Agent, consumed greater volumes of Gas than accumulated Daily Gas Supply Deliveries for the month.

GAS RATE NO. A2 – USAGE BALANCING SERVICE (Cont'd)

Positive monthly net Usage Imbalances reflect situations where a Supplier Group of End-Use Customers, or an End-Use Customer acting as its own Supply Agent, consumed lesser volumes of Gas than accumulated Daily Gas Supply Deliveries for the month.

In the event an Operational Flow Order is issued, all Usage Imbalances will be billed in accordance with Rate No. A4 Non-Performance charges. In all non-Operational Flow Order periods any net monthly Usage Imbalances will be administered in the following manner:

MONTHLY CASH-OUT:

1. Cash-out charges for net monthly negative Usage Imbalances are as follows (Charges posted to bill):

Usage Imbalances of greater than 0% up to and including 10% will be carried over to the next month.

110% of applicable Gas Supply Charge from Rider A (including capacity costs) for monthly net Usage Imbalances of greater than 10% up to and including 20%

120% of applicable Gas Supply Charge from Rider A (including capacity costs) for monthly net Usage Imbalances of greater than 20% up to and including 30%

140% of applicable Gas Supply Charge from Rider A (including capacity costs) for monthly net Usage Imbalances of greater than 30%.

GAS RATE NO. A2 – USAGE BALANCING SERVICE (Cont'd)

2. Cash-out credits for net monthly positive Usage Imbalances are as follows (Utility will purchase amounts from a 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent that are not offset by other charges.):

Usage Imbalances of greater than 0% up to and including 10% will be carried over to the next month.

90% of applicable Gas Supply Charge from Rider A (excluding capacity costs) for monthly net Usage Imbalances of greater than 10% up to and including 20%

80% of applicable Gas Supply Charge from Rider A (excluding capacity costs) for monthly net Usage Imbalances of greater than 20% up to and including 30%

60% of applicable Gas Supply Charge from Rider A (excluding capacity costs) for monthly net Usage Imbalances of greater than 30%.

3. Cash out charges for volumes purchased and injected to bring a Customer Banking Volume inventory to the granted level will be charged to the End-Use Customer at the following rate:

105% of the applicable Gas Supply Charge from Rider A or Citizens' storage WACOG, whichever is greater.

BILLING:

Charges and credits for Usage Balancing Service will be calculated monthly and billed at month end to the applicable 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent or as otherwise applicable to an End-Use Customer. Utility will purchase amounts from a 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent that are not offset by other charges.

GAS RATE NO. A3

BASIC USAGE BALANCING SERVICE

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to a Supplier Group of End-Use Customers who have chosen the Basic Delivery Service Option, or to End-Use Customers acting as their own Supply Agent, who have elected the Basic Delivery Service Option, in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A3, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

BASIC USAGE IMBALANCES:

The Utility shall cash-out monthly a 3rd Party Supplier, or an End-Use Customer acting as its own Supply Agent, the following in connection with positive or negative daily net Basic Usage Imbalances associated with a Supplier Group of End-Use Customers, or for the End-Use Customer acting as its own Supply Agent, under Gas Rate Nos. D3, D4, D5, D7, and D9.

Negative daily net Basic Usage Imbalances reflect situations where a Supplier Group of End-Use Customer(s), or an End-Use Customer acting as its own Supply Agent, consumed a greater volume of Gas than its Daily Gas Supply Deliveries.

Positive daily net Basic Usage Imbalances reflect situations where a Supplier Group of End-Use Customer(s), or an End-Use Customer acting as its own Supply Agent, consumed a lesser volume of Gas than its Daily Gas Supply Deliveries.

GAS RATE NO. A3 – BASIC USAGE BALANCING SERVICE (Cont'd)

In all Non-Operational Flow Order periods any net daily Basic Usage Imbalances will be administered in the manner described below. All volumes carried to month end will be cashed out in accordance with the provisions of Rate No. A2 Usage Balancing Service.

MONTHLY CASH-OUT OF DAILY IMBALANCES:

1. Except under Operational Flow Order or Curtailment conditions, cash-out charges for negative daily net Basic Usage Imbalances are as follows:

Daily net Basic Usage Imbalances of 0% up to and including 20% will be carried to month end.

110% of applicable Gas Supply Charge from Rider B (including capacity costs) for daily net Basic Usage Imbalances of greater than 20% up to and including 30%.

120% of applicable Gas Supply Charge from Rider B (including capacity costs) for daily net Basic Usage Imbalances of greater than 30% up to and including 40%.

140% of applicable Gas Supply Charge from Rider B (including capacity costs) for daily net Basic Usage Imbalances of greater than 40%.

2. Cash-out charges for negative daily net Basic Usage Imbalances, under Operational Flow Order conditions, are as follows:

For each Therm of a negative daily net Usage Imbalance greater than 5% percent, the greater of the highest per-unit gas cost paid by the Utility on the date of non-compliance or the daily cash-out charge as calculated above; plus

The payment of all other charges incurred by the Utility and attributable to the 3rd Party Suppliers' imbalance, including pipeline penalty charges on the Operational Flow Order shortfall quantities; plus

An Operational Flow Order imbalance charge of \$1.00 per Therm on the portion of the daily imbalance that is greater than 5%; plus

Applicable taxes.

GAS RATE NO. A3 – BASIC USAGE BALANCING SERVICE (Cont'd)

3. Except under Operational Flow Order or Curtailment conditions, cash-out credits for positive daily net Basic Usage Imbalances are as follows:

Daily net Basic Usage Imbalances of 0% up to and including 20% will be carried to month end.

90% of applicable Gas Supply Charge from Rider B (without capacity costs) for daily net Basic Usage Imbalances of greater than 20% up to and including 30%.

80% of applicable Gas Supply Charge from Rider B (without capacity costs) for daily net Basic Usage Imbalances of greater than 30% up to and including 40%.

60% of applicable Gas Supply Charge from Rider B (without capacity costs) for daily net Basic Usage Imbalances of greater than 40%.

4. Cash-out credits for positive daily net Basic Usage Imbalances, under Operational Flow Order conditions, are as follows:

The Utility will pay the 3rd Party Supplier for each Therm of positive daily net Usage Imbalance greater than 5%, the lesser of the lowest per-unit gas cost paid by the Utility (excluding capacity costs) on the date of non-compliance or the daily cash-out credit as calculated above; offset by

The 3rd Party Supplier will pay the Utility all charges incurred and attributable to the 3rd Party Supplier's imbalance, including pipeline penalty charges on the Operational Flow Order excess quantities and all applicable taxes; and

The 3rd Party Supplier will pay the Utility an Operational Flow Order imbalance charge of \$1.00 per Therm on the portion of the daily positive imbalance greater than 5%.

BILLING FOR DAILY IMBALANCE CASH-OUTS:

Basic Usage Imbalance charges and credits will be calculated daily, accumulated throughout the month and billed at month end, to the applicable 3rd Party Supplier or End-Use Customer acting as its own Supply Agent. Utility will purchase amounts from a 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent that are not offset by other charges.

GAS RATE NO. A3

BASIC USAGE BALANCING SERVICE

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to a Supplier Group of End-Use Customers who have chosen the Basic Delivery Service Option, or to End-Use Customers acting as their own Supply Agent, who have elected the Basic Delivery Service Option, in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A3, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

BASIC USAGE IMBALANCES:

The Utility shall cash-out monthly a 3rd Party Supplier, or an End-Use Customer acting as its own Supply Agent, the following in connection with positive or negative daily net Basic Usage Imbalances associated with a Supplier Group of End-Use Customers, or for the End-Use Customer acting as its own Supply Agent, under Gas Rate Nos. D3, D4, D5, D7, and D9.

Negative daily net Basic Usage Imbalances reflect situations where a Supplier Group of End-Use Customer(s), or an End-Use Customer acting as its own Supply Agent, consumed a greater volume of Gas than its Daily Gas Supply Deliveries.

Positive daily net Basic Usage Imbalances reflect situations where a Supplier Group of End-Use Customer(s), or an End-Use Customer acting as its own Supply Agent, consumed a lesser volume of Gas than its Daily Gas Supply Deliveries.

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GAS RATE NO. A3 – BASIC USAGE BALANCING SERVICE (Cont'd)

In all Non-Operational Flow Order periods any net daily Basic Usage Imbalances will be administered in the manner described below. All volumes carried to month end will be cashed out in accordance with the provisions of Rate No. A2 Usage Balancing Service.

MONTHLY CASH-OUT OF DAILY IMBALANCES:

1. Except under Operational Flow Order or Curtailment conditions, cash-out charges for negative daily net Basic Usage Imbalances are as follows:

Daily net Basic Usage Imbalances of 0% up to and including 20% will be carried to month end.

110% of applicable Gas Supply Charge from Rider B (including capacity costs) for daily net Basic Usage Imbalances of greater than 20% up to and including 30%.

120% of applicable Gas Supply Charge from Rider B (including capacity costs) for daily net Basic Usage Imbalances of greater than 30% up to and including 40%.

140% of applicable Gas Supply Charge from Rider B (including capacity costs) for daily net Basic Usage Imbalances of greater than 40%.

2. Cash-out charges for negative daily net Basic Usage Imbalances, under Operational Flow Order conditions, are as follows:

For each Therm of a negative daily net Usage Imbalance greater than 5% percent, the greater of the highest per-unit gas cost paid by the Utility on the date of non-compliance or the daily cash-out charge as calculated above; plus

The payment of all other charges incurred by the Utility and attributable to the 3rd Party Suppliers' imbalance, including pipeline penalty charges on the Operational Flow Order shortfall quantities; plus

An Operational Flow Order imbalance charge of \$1.00 per Therm on the portion of the daily imbalance that is greater than 5%; plus

Applicable taxes.

Current rates effective pursuant to

I.U.R.C. Order in Cause No. 4346342767

—Effective: September 1, 2007

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GAS RATE NO. A3 – BASIC USAGE BALANCING SERVICE (Cont'd)

3. Except under Operational Flow Order or Curtailment conditions, cash-out credits for positive daily net Basic Usage Imbalances are as follows:

Daily net Basic Usage Imbalances of 0% up to and including 20% will be carried to month end.

90% of applicable Gas Supply Charge from Rider B (without capacity costs) for daily net Basic Usage Imbalances of greater than 20% up to and including 30%.

80% of applicable Gas Supply Charge from Rider B (without capacity costs) for daily net Basic Usage Imbalances of greater than 30% up to and including 40%.

60% of applicable Gas Supply Charge from Rider B (without capacity costs) for daily net Basic Usage Imbalances of greater than 40%.

4. Cash-out credits for positive daily net Basic Usage Imbalances, under Operational Flow Order conditions, are as follows:

The Utility will pay the 3rd Party Supplier for each Therm of positive daily net Usage Imbalance greater than 5%, the lesser of the lowest per-unit gas cost paid by the Utility (excluding capacity costs) on the date of non-compliance or the daily cash-out credit as calculated above; offset by

The 3rd Party Supplier will pay the Utility all charges incurred and attributable to the 3rd Party Supplier's imbalance, including pipeline penalty charges on the Operational Flow Order excess quantities and all applicable taxes; and

The 3rd Party Supplier will pay the Utility an Operational Flow Order imbalance charge of \$1.00 per Therm on the portion of the daily positive imbalance greater than 5%.

BILLING FOR DAILY IMBALANCE CASH-OUTS:

Basic Usage Imbalance charges and credits will be calculated daily, accumulated throughout the month and billed at month end, to the applicable 3rd Party Supplier or End-Use Customer acting as its own Supply Agent. Utility will purchase amounts from a 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent that are not offset by other charges.

Current rates effective pursuant to

I.U.R.C. Order in Cause No. 4346342767

Effective: September 1, 2007

GAS RATE NO. A4

NON-PERFORMANCE CHARGES

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to End-Use Customers, End-Use Customers acting as their own Supply Agent, in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A4, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

NON-PERFORMANCE CHARGES:

The Utility shall charge monthly, a 3rd Party Supplier, or End-Use Customer, as appropriate, for any volumes associated with End-Use Customers receiving Gas Delivery service under Gas Rate Nos. D3, D4, D5, D7, and D9 that are considered daily Delivery Imbalances or unauthorized usage during a Curtailment Period.

Charges are as follows:

**The Applicable Gas Supply Charges or Credits From Rider B, plus or minus
\$6.00 Per Therm**

WAIVER OF CHARGES:

In its reasonable discretion, on a case-by-case basis, the Utility may waive all or part of any Non-Performance Charge assessable to End-Use customer pursuant to this Gas Rate No. A4, provided, however, that the waiver of such Non-Performance Charge shall be exercised on a non-discriminatory basis.

Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202

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~~Superseding Original~~ Original Page No. 304A

GAS RATE NO. A4 - NON-PERFORMANCE CHARGES (cont'd)

BILLING:

Non-Performance Charges will be calculated and billed at month end to the applicable 3rd Party Supplier or End-Use Customer as appropriate. Utility will purchase amounts from a 3rd Party Supplier, or End-Use Customer acting as its own Supply Agent that are not offset by other charges.

GAS RATE NO. A5

BILLING SERVICE

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to Supplier Groups or Supplier Pools of End-Use Customers, in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A5, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

BILLING SERVICES FOR SUPPLIER GROUPS:

The Utility shall provide to 3rd Party Suppliers, as their agent, billing services pertaining to gas supply services provided to End-Use Customers in Supplier Groups. The Utility shall not have any right, title or interest in the amounts it collects from End-Use Customers for gas supply services provided by the 3rd Party Suppliers. 3rd Party Suppliers providing End-Use Customers with gas supply services will be required to provide the Utility with accurate, timely billing information on all individual End-Use Customer accounts. For accurate, timely billing information provided by 3rd Party Suppliers, no charges will apply. Charges for exceptions are detailed below.

Billing for 3rd Party Supplier gas supply services will require an electronic file transfer in an acceptable format, containing field layout and data for the purpose of displaying gas supply service charges on a single bill for each individual End-Use Customer account. The Utility will charge End-Use Customers sales tax on all charges shown on the bill unless it is furnished with a valid sales tax exemption certificate by the 3rd Party Supplier of the End-Use Customer.

Billing Data

Immediately following each billing cycle, the Utility will provide to 3rd Party Suppliers an electronic file template which includes End-Use Customer name, 12-digit Citizens Gas account number and billing cycle usage, designated actual or estimate, when appropriate. 3rd Party Suppliers will return that electronic file within one (1) business day with required billing data, based on either billing cycle usage or nominations, for each End-Use Customer. The Utility then will issue End-Use Customer bills with appropriate 3rd Party Supplier gas supply charges, as well as Gas Delivery charges calculated by the Utility.

GAS RATE NO. A5 – BILLING SERVICE (Cont'd)

Data Requirements

Data fields required include: End-Use Customer name, 12-digit Citizens Gas account number, billing cycle usage, gas supply rate, total current charges, contract charges, and late payment charges, if appropriate.

Payment/Remittance/Allocation Processing

All payments shall be made to the Utility regardless of circumstances and collection efforts. Following receipt of End-Use Customer payment, Utility will remit funds received for gas supply services to 3rd Party Supplier once per week. Any partial payments received from End-Use Customers will be applied first to Utility Gas Delivery Service charges, then to the oldest non-regulated receivable. If all non-regulated receivables are equivalent in age, payment will be applied to 3rd Party Supplier receivable first.

Providing gas supply service to End-Use Customers with an extended due date or flexible payments requires the 3rd Party Supplier to extend receivable balances beyond normal limits. When appropriate, the Utility will notify End-Use Customer and 3rd Party Supplier as to expected timing of payments.

BILLING SERVICES FOR SUPPLIER POOLS:

The Utility shall provide to 3rd Party Suppliers, as their agent, billing services pertaining to gas supply services provided to End-Use Customers in Supplier Pools. The Utility shall not have any right, title or interest in the amounts it collects from End-Use Customers for gas supply services provided by the 3rd Party Suppliers. 3rd Party Suppliers providing End-Use Customers with gas supply services will be required to provide the Utility with accurate, timely billing information on all individual End-Use Customer accounts. For accurate, timely billing information provided by 3rd Party Suppliers, no charges will apply. Charges for exceptions are detailed below.

Billing for 3rd Party Supplier gas supply services will require a file transfer in an acceptable format, containing field layout and data for the purpose of displaying gas supply service charges on a single bill for each individual End-Use Customer account. The Utility will charge End-Use Customers sales tax on all charges shown on the bill unless it is furnished with a valid sales tax exemption certificate by the 3rd Party Supplier of the End-Use Customer.

GAS RATE NO. A5 – BILLING SERVICE (Cont'd)

Billing Data

Immediately following each billing cycle, the Utility will provide to 3rd Party Suppliers an electronic file template which includes End-Use Customer name, 12-digit Citizens Gas account number and billing cycle usage, designated actual or estimate, when appropriate. 3rd Party Suppliers will return that electronic file within one (1) business day with billing data, based on billing cycle usage, for each End-Use Customer. The Utility then will issue End-Use Customer bills with appropriate 3rd Party Supplier gas supply charges, as well as Gas Delivery charges calculated by the Utility.

Data Requirements

Data fields required include: End-Use Customer name, 12-digit Citizens Gas account number, billing cycle usage, gas supply rate, total current charges, monthly contract charges, and late payment charges, if appropriate.

Payment/Remittance/Allocation Processing

All payments shall be made to the Utility regardless of circumstances and collection efforts. Following receipt of End-Use Customer payment, Utility will remit funds received for gas supply services to 3rd Party Supplier once per week. Any partial payments received from End-Use Customers will be applied first to Utility Gas Delivery Service charges, then to the oldest non-regulated receivable. If all non-regulated receivables are equivalent in age, payment will be applied to 3rd Party Supplier receivable first.

Providing gas supply service to End-Use Customers with extended due date or flexible payments requires the 3rd Party Supplier to extend receivable balances beyond normal limits. When appropriate, the Utility will notify End-Use Customer and 3rd Party Supplier as to expected timing of payments.

CHARGES FOR EXCEPTION BILLING:

0.06% of Utility Gas Delivery Service Charges Per Account For Occurrence of Late Billing Data Per Day Delayed

\$32 Per Account for Billing Data Error Requiring Customer Re-Bill

GAS RATE NO. A6

COLLECTION SERVICE

APPLICABILITY:

This rate is applicable to 3rd Party Suppliers providing gas supply services to Supplier Groups or Supplier Pools of End-Use Customers, and who have elected a Collection Service applicable for all of their End-Use Customers in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A6, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms in this rate schedule are defined in the Terms and Conditions for Gas Service.

COLLECTION SERVICES AND FEES:

The Utility shall provide the following types of services to applicable 3rd Party Suppliers for all of their End-Use Customers:

Collection Letters

A Citizens Gas employee will send a collection letter to an End-Use Customer, any time from 18-42 days following bill issuance, to request full payment of a past due bill for gas supply service provided by a 3rd Party Supplier. The letter will also include payment location instructions. A fee is assessed for each letter, regardless of the outcome of the letter. Any payment for gas supply services made by the End-Use Customer in response to the collection letter will be remitted to the 3rd Party Supplier in the next weekly remittance. The applicable fee is as follows:

\$.70 Per Letter

Outbound Telephone Collection Calls

A Citizens Gas employee will make a telephone call to an End-Use Customer, any time from 18-42 days following bill issuance, to request full payment of a past due bill for gas supply service provided by a 3rd Party Supplier. If the End-Use Customer is not available, a message will be left on an answering machine, or with a responsible party, including payment location instructions. A fee is assessed for each telephone call, regardless of the outcome of the call. Any payment for gas supply services made by the End-Use Customer in response to the telephone collection call will be remitted to the 3rd Party Supplier in the next weekly remittance. The applicable fee is as follows:

\$1.00 Per Telephone Collection Call

GAS RATE NO. A6 – COLLECTION SERVICE (Cont'd)

End-Use Customer Premise Collection Visits

A uniformed Citizens Gas employee will visit the End-Use Customer's premise, any time after 43 days following the bill issuance, to request full payment of a past due bill for gas supply service provided by a 3rd Party Supplier. If the End-Use Customer is not available, a payment demand notice will be left at the premise, including payment location instructions. A fee is assessed for each premise visit, regardless of the outcome of the visit. Any payment made for gas supply services by the End-Use Customer in response to the collection visit will be remitted to the 3rd Party Supplier in the next weekly remittance. The applicable fee is as follows:

\$14.50 Per Premise Collection Visit

Payment Arrangements

A Citizens Gas employee will make a telephone call to an End-Use Customer, any time from 18-60 days following bill issuance, to request full payment of a past due bill for Gas Supply service provided by a 3rd Party Supplier. If the End-Use Customer is unable to pay, the employee will temporarily extend additional credit to the customer in return for a promise to pay according to a designated plan, based on Utility credit guidelines as may be amended from time to time. A fee is assessed for each payment arrangement, regardless of the outcome of the plan. Payments for gas supply services made by the End-Use Customer in accordance with the arrangements will be remitted to the 3rd Party Supplier in the next weekly remittance.

\$12.00 per Payment Arrangement

Legal Recovery Coordination

A Citizens Gas employee will coordinate legal recovery, no sooner than 60 days following bill issuance, to collect full payment of a past due bill for Gas Supply service provided by a 3rd Party Supplier. Legal recovery includes account assignment to an attorney and periodic monitoring and updates. A fee is assessed for each occurrence of legal recovery coordination plus court costs and attorney fees, regardless of the outcome of the coordination. The appropriate portion of payments for gas supply services made by the End-Use Customer will be remitted to the 3rd Party Supplier in the next weekly remittance.

\$8.00 Per Legal Recovery Coordination

Citizens Gas & Coke Utility
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GAS RATE NO. A6 – COLLECTION SERVICE (Cont'd)

Purchase of Accounts Receivable

Citizens Gas will purchase receivables from 3rd Party Suppliers, and take on responsibility to collect full payment of a bill for gas supply service provided by a 3rd Party Supplier, not including disputed amounts. A fee, negotiated between the 3rd Party Supplier and the Utility, is subtracted from the outstanding receivable, and payment will be remitted to the 3rd Party Supplier in the next weekly remittance.

BILLING:

Collection Service charges will be billed to 3rd Party Suppliers at month end.

GAS RATE NO. A7

INFORMATION SERVICE

APPLICABILITY:

This rate is applicable to End-Use Customers, and to 3rd Party Suppliers providing gas supply services to Supplier Groups or Supplier Pools of End-Use Customers, in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A7, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms in this rate schedule are defined in the Terms and Conditions for Gas Service.

SERVICE AND FEES:

Usage Information

Citizens Gas shall provide summaries of up to 24 months of End-Use Customer's usage by meter to End-Use Customers, and/or to 3rd Party Suppliers with the End-Use Customer's approval. The information will be provided to 3rd Party Suppliers for the sole purpose of arranging to provide gas supply services. The following charges for those summaries will be billed to requesting 3rd Party Suppliers or End-Use Customer, per meter:

\$25 Per Customer Usage Summary, per meter

Automated Meter Reading Service

Citizens Gas will provide to 3rd Party Suppliers or to End-Use Customers that have requested Automated Meter Reading Service, or are required to have Automated Meter Reading Service as a condition of choosing the Basic Delivery Service Option, Automated Meter Reading Service including installation of an Automated Meter Reading device and access to daily meter reads via the Internet. The following charges for Automated Meter Reading Service will be billed to applicable End-Use Customers or 3rd Party Suppliers:

\$6434 Per Month for Each Meter Transmitting Daily Readings

End-Use Customers provided Automated Meter Reading service may request daily meter reads to be made available to an approved 3rd Party Supplier via the Internet at no additional cost.

GAS RATE NO. A8

SWITCHING CHARGES

APPLICABILITY:

This rate is applicable to End-Use Customers or 3rd Party Suppliers in accordance with the Utility's requirements.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A8, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

SWITCHING FEES:

The Utility shall bill an End-Use Customer for any changes in the 3rd Party Supplier selected, or for returning to Utility Gas Supply Service, in excess of one change per calendar year. The Utility shall bill a 3rd Party Supplier for any request by the 3rd Party Supplier to move End-Use Customers between its Supplier Groups or Supplier Pools:

\$2525 Per Switch

The changes described above may occur only on the first day of the End-Use Customer's billing cycle or as otherwise specified by Utility.

GAS RATE NO. A9

INCREMENTAL BANKING SERVICE

APPLICABILITY:

This rate is applicable to End-Use Customers under Gas Rate Nos. D3, D4, D5, D7 and D9, in accordance with the Utility's requirements and 3rd Party Marketers as available. This service is not available to customers who have opted out of banking.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this Gas Rate No. A9, are the Terms and Conditions for Gas Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Gas Service.

APPLICATION:

The Utility shall provide End-Use Customers and 3rd Party Marketers the ability to bid for Incremental Banking Volumes annually during the Election Period. If requests received during the Election Period are greater than available Incremental Banking Volumes, Incremental Banking Volumes requested will be granted to the highest bidders on a first-come, first-served basis. End-Use Customers and Marketers will be notified of Incremental Banking Volumes allocated by April 10th via Citizens Gas' internet site.

CHARGES:

Maximum charges for Incremental Banking Volumes are calculated annually using the following components:

Opt-Out Usage (Dth) x \$.06308 / Opt-Out Banking Volumes (Dth) = Incremental Banking Volume Charge (per Dth of Incremental Banking Volumes)

Bids will be accepted until April 30. Volumes will be allocated to highest bidders on a first-come, first-served basis, then to the next highest bidder, and so on, until available volume has been sold. Charges for Incremental Banking Volumes, determined by multiplying the End-Use Customer's Incremental Banking Volumes granted by the bid per unit of Incremental Banking Volume Charges, will be included in May billing. Upon request to the Utility, charges may be paid monthly by dividing the total annual charge by 12.

BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE BOARD OF DIRECTORS)	
FOR UTILITIES OF THE DEPARTMENT OF)	
PUBLIC UTILITIES OF THE CITY OF)	
INDIANAPOLIS, AS SUCCESSOR TRUSTEE)	
OF A PUBLIC CHARITABLE TRUST, D/B/A)	
CITIZENS GAS & COKE UTILITY FOR (1))	
AUTHORITY TO INCREASE ITS RATES AND)	
CHARGES FOR GAS UTILITY SERVICE AND)	CAUSE NO. 43463
APPROVAL OF A NEW SCHEDULE OF)	
RATES AND CHARGES APPLICABLE)	
THERE TO, (2) AUTHORITY, TO THE EXTENT)	
NECESSARY AS AN ALTERNATIVE)	
REGULATORY PLAN, TO RECOVER THE GAS)	
COST COMPONENT OF ITS NET WRITE-OFFS IN)	
ITS GAS COST ADJUSTMENT FILINGS,)	
(3) AUTHORITY PURSUANT TO 170 IAC 5-1-27(F))	
FOR A NON-GAS COST REVENUE TEST TO)	
DETERMINE WHEN DEPOSITS ARE REQUIRED)	
FOR EXTENSION OF FACILITIES, (4) APPROVAL)	
OF OTHER CHANGES TO ITS GENERAL TERMS)	
AND CONDITIONS FOR GAS SERVICE, AND (5))	
APPROVAL OF NEW DEPRECIATION ACCRUAL)	
RATES)	

DIRECT TESTIMONY
of
RUSSELL A. FEINGOLD

On
Behalf of
Petitioner

Citizens Gas & Coke Utility

Petitioner's Exhibit RAF

BACKGROUND AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Russell A. Feingold and my business address is 2525 Lindenwood Drive,
Wexford, Pennsylvania 15090-7914

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Black & Veatch Corporation as a Vice President and I lead the Rate
& Regulatory Advisory Group of its Enterprise Management Solutions ("EMS")
Division.

Q. PLEASE DESCRIBE THE FIRM OF BLACK & VEATCH CORPORATION.

A. Black & Veatch Corporation has provided comprehensive engineering and
management services to utility, industrial, and governmental entities since 1915. EMS
is the management consulting division of Black & Veatch. EMS delivers management
consulting solutions in the energy and water sectors. Our services include broad-based
strategic, regulatory, financial, and information systems consulting. In the energy
sector, EMS delivers a variety of services for companies involved in the generation,
transmission, and distribution of electricity and natural gas. From an industry-wide
perspective, Black & Veatch has extensive experience in all aspects of the North
American natural gas industry, including utility costing and pricing, gas supply and
transportation planning, competitive market analysis and regulatory practices and policies
gained through management and operating responsibilities at gas distribution, pipeline

1 and other energy-related companies, and through a wide variety of client
2 assignments. Black & Veatch has assisted numerous gas distribution companies
3 located in the U.S. and Canada.

4 **Q. WHAT HAS BEEN THE NATURE OF YOUR WORK IN THE UTILITY**
5 **CONSULTING FIELD?**

6 A. I have over thirty-three (33) years of experience in the utility industry, the last thirty
7 (30) years of which have been in the field of utility management and economic
8 consulting. Specializing in the gas industry, I have advised and assisted utility
9 management, industry trade and research organizations and large energy users in
10 matters pertaining to costing and pricing, competitive market analysis, regulatory
11 planning and policy development, gas supply planning issues, strategic business
12 planning, merger and acquisition analysis, corporate restructuring, new product and
13 service development, load research studies and market planning. I have prepared and
14 presented expert testimony before the Federal Energy Regulatory Commission
15 ("FERC") and several state and provincial regulatory commissions, including the
16 Indiana Utility Regulatory Commission (the "Commission"), and have spoken widely
17 on issues and activities dealing with the pricing and marketing of gas utility services.
18 Further background information summarizing my work experience, presentation of
19 expert testimony, and other industry-related activities is included in Appendix A to
20 my testimony.

1 **Q. PLEASE SUMMARIZE YOUR SPECIFIC EXPERIENCE IN CONDUCTING**
2 **ALLOCATED COST OF SERVICE STUDIES FOR GAS AND ELECTRIC**
3 **UTILITIES.**

4 A. Over my utility consulting career, I have conducted numerous allocated cost of
5 service studies for gas and electric utilities to provide guidelines for use in evaluating
6 their class revenue levels and rate structures. In addition to these cost studies based on a
7 utility's embedded or historical costs, I have conducted long-run and short-run marginal
8 cost, avoided cost, and unbundled service costing studies.

9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

10 A. I received a Bachelor of Science Degree in Electrical Engineering from Washington
11 University in St. Louis in 1973 and a Master of Science Degree in Financial
12 Management from Polytechnic University - New York in 1977.

13 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

14 A. Yes. I previously testified before this Commission in the following rate proceedings:
15 (1) Cause No. 39066 on behalf of Citizens Gas & Coke Utility ("Citizens Gas" or the
16 "Petitioner") on the subject of gas rate design issues; (2) Cause Nos. 37394-GCA50
17 and 37399-GCA50 on behalf of Indiana Gas Company, Inc. and Citizens Gas,
18 respectively, on the subjects of competitive and regulatory developments in the
19 energy industry, gas merchant services issues, and strategic business alliances to
20 provide gas supply management and marketing services to local distribution

1 companies ("LDCs"); (3) Cause No. 40437 on behalf of Indiana Gas Company, Inc.
2 and Citizens Gas on the subjects of market power assessment and related issues, in
3 addition to the above-stated subjects; (4) Cause No. 42598 on behalf of Vectren
4 Energy Delivery of Indiana, Inc. on the subject of weather normalization adjustment
5 ("WNA") mechanisms; and (5) Cause No. 42767 on behalf of Citizens Gas on the
6 subject of revenue decoupling mechanisms.

7 **PURPOSE OF TESTIMONY**

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 A. The purpose of my testimony is to identify and discuss industry-wide trends related to
10 the preparation of allocated cost of service studies for gas and electric utilities and to
11 explain why an 80% throughput and 20% peak day cost allocation methodology,
12 which was accepted in the last Citizens Gas rate case, to assign the cost of
13 distribution mains to a utility's classes of service is an inappropriate approach that
14 creates unreasonable results.

15 **Q. PLEASE IDENTIFY THE EXHIBITS YOU ARE SPONSORING IN THIS**
16 **PROCEEDING.**

17 A. I am sponsoring the following exhibits, and will discuss each exhibit in detail in the
18 applicable section of my testimony:
19 RAF-1 Impact and Comparison of Demand Cost Allocation Methods
20 RAF-2 Economies of Scale for Distribution Mains

1 RAF-3 Impact of Cost Allocation Methods on the Assignment of Distribution Mains
2 by Rate Class

3 **Q. DID YOU PREPARE OR DIRECT THE PREPARATION OF EACH OF THE**
4 **IDENTIFIED EXHIBITS?**

5 A. Yes.

6 **INDUSTRY-WIDE TRENDS IN CONDUCTING COST OF SERVICE STUDIES**

7 **Q. WHY IS IT RELEVANT TO DISCUSS THE INDUSTRY-WIDE TRENDS**
8 **ASSOCIATED WITH CONDUCTING COST OF SERVICE STUDIES FOR A**
9 **GAS DISTRIBUTION UTILITY?**

10 A. I believe this discussion is relevant because it will provide a proper context for the
11 specific issues associated with conducting cost of service studies that I discuss later
12 in my testimony. In particular, the trends in the industry will serve to highlight some
13 of the more critical issues that parties typically address related to the cost of service
14 study filed by the utility in its rate case.

15 **Q. BEFORE DISCUSSING THE INDUSTRY-WIDE TRENDS IN CONDUCTING**
16 **COST OF SERVICE STUDIES FOR GAS DISTRIBUTION UTILITIES,**
17 **PLEASE DISCUSS THE GUIDING PRINCIPLES THAT YOU BELIEVE**
18 **SHOULD BE FOLLOWED WHEN CONDUCTING SUCH COST STUDIES.**

19 A. First, the fundamental and underlying philosophy applicable to all cost studies pertains to
20 the concept of cost causation for purposes of allocating costs to customer groups. Cost

Direct Testimony and Exhibits of Russell A. Feingold
Citizens Gas & Coke Utility
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1 causation addresses the question - which customer or group of customers causes the
2 utility to incur particular types of costs? To answer this question, it is necessary to
3 establish a linkage between a utility's customers and the particular costs incurred by the
4 utility in serving those customers.

5 The essential element in the selection and development of a reasonable cost of
6 service study allocation methodology is the establishment of relationships between
7 customer requirements, load profiles and usage characteristics on the one hand and
8 the costs incurred by the utility in serving those requirements on the other hand. For
9 example, providing a customer with gas service during peak periods can have much
10 different cost implications for the utility than service to a customer who requires off-
11 peak gas service.

12 A gas utility's distribution system is designed to meet three primary
13 objectives: (1) to extend distribution services to all customers entitled to be attached
14 to the system; (2) to meet the aggregate peak design day capacity requirements of all
15 customers entitled to service on the peak day; and (3) to deliver volumes of natural
16 gas to those customers either on a sales or transportation basis. There is generally a
17 direct link between the manner in which costs are defined and their subsequent
18 allocation to the customer classes.

19 Customer related costs are incurred to attach a customer to the distribution
20 system, meter any gas usage and maintain the customer's account. Customer costs are

1 a function of the number of customers served and continue to be incurred whether or
2 not the customer uses any gas. They may include capital costs associated with
3 minimum size distribution mains, services, meters, regulators and customer service
4 and accounting expenses.

5 Demand or capacity related costs are associated with plant which is designed,
6 installed and operated to meet maximum hourly or daily gas flow requirements, such
7 as distribution mains, or more localized distribution facilities which are designed to
8 satisfy individual customer maximum demands. Gas supply-related contracts also
9 have a capacity related component of cost relative to the utility's requirements for
10 serving daily peak demands and the winter peaking season.

11 Commodity related costs are those costs which vary with the throughput sold
12 to, or transported for, customers. Costs related to gas supply are classified as
13 commodity related to the extent they vary with the amount of gas volumes purchased by
14 the utility for its sales service customers.

15 **Q. HOW DOES THE COST ANALYST ESTABLISH THE COST AND UTILITY**
16 **SERVICE RELATIONSHIPS YOU JUST DISCUSSED?**

17 **A.** To establish these relationships, the cost analyst must analyze the utility's gas system
18 design and operations, its accounting records, and its system and customer load data (e.g.,
19 annual and peak period gas consumption levels). From the results of those analyses,
20 methods of direct assignment and "common" cost allocation methodologies can be

1 chosen for all of the utility's plant and expense elements.

2 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY THE TERM "DIRECT**
3 **ASSIGNMENT?"**

4 A. The term "direct assignment" relates to a specific identification and isolation of plant
5 and/or expense incurred exclusively to serve a specific customer or group of customers.
6 Direct assignments best reflect the cost causative characteristics of serving individual
7 customers or groups of customers. Therefore, in performing a cost of service study, the
8 cost analyst seeks to maximize the amount of plant and expense directly assigned to
9 particular customer groups.

10 Direct assignments of plant and expenses to particular customers or classes of
11 customers are made on the basis of special studies wherever the necessary data are
12 available. These assignments are developed by detailed analyses of the utility's maps
13 and records, work order descriptions, property records and customer accounting
14 records. Within time and budgetary constraints, the greater the magnitude of cost
15 responsibility based upon direct assignments, the less reliance need be placed on
16 common plant allocation methodologies associated with joint use plant.

17 **Q. IS IT REALISTIC TO ASSUME THAT A LARGE PORTION OF THE**
18 **PLANT AND EXPENSES OF A UTILITY CAN BE DIRECTLY ASSIGNED?**

19 A. No. The nature of utility operations is characterized by the existence of common or
20 jointly-used facilities. In fact, this is the very reason why a utility must conduct a cost of

1 service study to allocate such facilities to its classes of service. Out of necessity, then, to
2 the extent a utility's plant and expenses cannot be directly assigned to customer groups,
3 "common" allocation methods must be derived to assign or allocate the remaining costs
4 to the customer classes. The analyses discussed above facilitate the derivation of
5 reasonable allocation factors for cost allocation purposes.

6 **Q. WHAT ARE SOME OF THE INDUSTRY-WIDE TRENDS YOU HAVE**
7 **OBSERVED WITH REGARD TO THE PREPARATION AND USE OF COST**
8 **OF SERVICE STUDIES IN UTILITY RATE CASES?**

9 A. The broader industry-wide trends I have observed with regard to utility cost of service
10 studies include the following:

- 11 • There has been an increased recognition by regulators that the costs of a gas
12 distribution utility such as Citizens Gas are fixed in nature and should be treated as
13 such in the utility's cost of service study.
- 14 • There has been a stronger desire by regulators in recent times to identify and eliminate
15 the true cross-subsidies that exist among a utility's classes of service.
- 16 • The vast majority of utility cost of service studies exclude purchased gas costs when
17 determining the cost of delivery service by rate or customer class.

18 **Q. PLEASE DESCRIBE THE NATURE OF GAS DISTRIBUTION COSTS.**

19 A. The delivery service costs of a gas distribution utility are fixed costs. This type of
20 utility designs and installs a distribution system capable of meeting its customers'

1 design day requirements at the time of initial installation. Placing these facilities in
2 service permits the utility to serve the changes in load due to extreme weather (the
3 design day peak load) or economic conditions. Once facilities serve customers, the
4 costs associated with these facilities are by their nature fixed and do not vary as a
5 function of the volume of gas consumed by customers.

6 **Q. DO UTILITY REGULATORS RECOGNIZE THE FIXED NATURE OF THESE**
7 **COSTS?**

8 A. Yes. The evidence supporting the fixed nature of these costs is quite significant. For
9 example, regulators routinely normalize for weather both the costs and revenues of
10 the gas utility as part of its rate case. If the costs of distribution mains were in any
11 way related to the volume of gas consumed, it would also be necessary to weather
12 normalize the rate base, but this does not happen. Regulators explicitly recognize
13 that the costs of distribution mains are fixed and do not vary with gas volume.
14 Additionally, in the Gas Distribution Rate Design Manual, prepared by the NARUC
15 Staff Subcommittee on Gas, it defines demand or capacity costs as follows:

16 "Demand or capacity costs vary with the quantity or size of plant and
17 equipment. They are related to maximum system requirements which the
18 system is designed to serve during short intervals and do not directly vary
19 with the number of customers or their annual usage. Included in these costs
20 are: the capital costs associated with production, transmission and storage

1 plant and their related expenses; the demand cost of gas; and most of the
2 capital costs and expenses associated with that part of the distribution plant
3 not allocated to the customer costs, such as the costs associated with
4 distribution mains in excess of the minimum size." (emphasis added).

5 **Q. PLEASE EXPLAIN WHY YOU BELIEVE THERE HAS BEEN A**
6 **STRONGER DESIRE BY REGULATORS IN RECENT TIMES TO**
7 **IDENTIFY AND ELIMINATE THE TRUE CROSS-SUBSIDIES THAT EXIST**
8 **AMONG A UTILITY'S CLASSES OF SERVICE.**

9 **A.** I believe there are two main reasons for this desire on the part of utility regulators.
10 First, since there is a renewed interest in having utilities promote energy efficiency
11 and conservation programs for their customers, there is an increased importance
12 being placed on providing customers with proper price signals for the manner in
13 which the cost of energy is charged through utility rates. Second, with the utility
14 industry's evolution to the unbundling of utility services, any cross-subsidies that
15 exist in a utility's rates cannot be sustained over time under unbundled service and
16 rate structures because other market participants will attempt to compete with the
17 utility to provide alternative services at lower prices. In recognition of this fact, it is
18 my view that regulators have been more receptive to eliminating both the inter-class
19 and intra-class cross subsidies that exist in a utility's rates.

20 **Q. WHY DO MOST UTILITIES EXCLUDE PURCHASED GAS COSTS WHEN**

1 DETERMINING THE COST OF DELIVERY SERVICE BY RATE OR
2 CUSTOMER CLASS?

3 A. This practice is common among the cost of service studies filed by gas utilities so
4 that the allocation and recovery of purchased gas costs, which is almost always
5 dictated by the volumetric structure of the utility's Purchased Gas Adjustment (the
6 "GCA" in Indiana) mechanism, does not skew the allocation results and the recovery
7 of the utility's delivery service costs. In addition, both utilities and regulators have
8 recognized the importance of portraying to customers purchased gas costs (i.e., the
9 commodity) as a separate component from the utility's delivery service component.
10 This separation helps to foster a clearer understanding of the various functions that
11 comprise a gas distribution utility's total bill and the roles of the various market
12 participants who can provide utility services to customers. This is especially
13 relevant when presenting to customers the service options and associated pricing
14 arrangements available from alternative service providers under a utility's customer
15 choice program.

16 Q. WHICH PORTIONS OF A UTILITY'S COST OF SERVICE STUDY
17 TYPICALLY RECEIVE THE GREATEST LEVEL OF SCRUTINY BY
18 INTERVENORS IN A RATE CASE?

19 A. In my opinion, there are two areas that typically receive the greatest level of scrutiny.

- 1 1. The cost allocation methods and factors used to assign demand-related costs to
- 2 the utility's classes of service; and
- 3 2. The cost allocation methods and factors used to assign the plant and expenses
- 4 associated with distribution mains to the utility's classes of service.

5 **Q. PLEASE EXPLAIN WHY YOU BELIEVE THESE TWO ITEMS RECEIVE**
6 **THE MOST SCRUTINY.**

7 A. They receive the most scrutiny because the manner in which these items are treated
8 can have a significant impact upon the results of the utility's cost of service study.
9 This occurs for two reasons: (1) the costs that comprise these two categories are large
10 relative to the other cost categories in a utility's cost of service study; and (2) the
11 nature of the plant facilities and expenses associated with these two categories are
12 joint in nature – which means the cost analyst must rely upon “common” allocation
13 methods rather than direct assignment techniques.

14 **Q. PLEASE DESCRIBE THE KEY ISSUES RELATED TO THE ALLOCATION**
15 **OF DEMAND-RELATED COSTS WITHIN A GAS UTILITY'S COST OF**
16 **SERVICE STUDY.**

17 A. A complex part of the allocation process is the allocation of demand-related costs. Any
18 number of methodologies has been used to develop allocation factors for the demand
19 components of costs. Despite numerous methods to allocate demand costs, it is fair to
20 say that three basic methodologies form the foundation for the allocation process. These

1 three methodologies are Peak Demand Allocations, Average and Excess Demand
2 Allocations and Non-Coincident Demand Allocations. Each of these demand allocation
3 methodologies is discussed below.

4 The concept of Peak Demand Allocation is premised on the notion that
5 investment in capacity is determined by the peak load or peak loads of the utility.
6 Under this methodology, demand related costs are allocated to each customer class or
7 group in proportion to the demand coincident with the system peak or peaks of that
8 class or group. The Peak Demand Allocation process might focus on a single peak,
9 such as the highest daily demand occurring during the test period. Other variations
10 might include the average of several cold days, or the expected contribution to the
11 system peak on a design day.

12 The Average and Excess Demand Allocation methodology, also referred to as
13 the "used and unused capacity" method, allocates demand related costs to the classes
14 of service on the basis of system and class load factor characteristics. Specifically,
15 the portion of utility facilities and related expenses required to service the average
16 load is allocated on the basis of each class' average demand. The portion of these
17 facilities is derived by multiplying the total demand related costs by the utility's
18 system load factor. The remaining demand related costs are allocated to the classes
19 based on each class' excess or unused demand (i.e., total class non-coincident
20 demand minus average demand).

1 A more simplistic version of this methodology is the Peak and Average
2 methodology. This cost methodology gives equivalent weight to peak demands and
3 average demands (i.e., annual volumes). As is the case with the Average and Excess
4 method, it has the effect of allocating a portion of the utility's demand-related costs
5 on a commodity-related basis. The Non-Coincident Demand Allocation
6 methodology recognizes that certain facilities, in particular distribution facilities, are
7 designed to serve local peaks which may or may not be coincident with the system
8 peak loads. Using this methodology, demand costs are allocated on the basis of each
9 group's (rate class), maximum demand, irrespective of the time of the system peak.

10 **Q. HAVE YOU ILLUSTRATED THE RELATIVE IMPACT OF THESE**
11 **DEMAND COST ALLOCATION METHODS ON A UTILITY'S COST OF**
12 **SERVICE STUDY RESULTS?**

13 A. Yes. Page 1 of Exhibit RAF-1 presents a chart which portrays the relative impact of
14 the above-described demand cost allocation methods on a utility's cost of service
15 study results by customer class. The allocation methods reflected in this Exhibit
16 include the Peak Method ("P"), the Peak and Average Method ("P&A"), and the
17 Average Method ("A").¹ You can readily see that as the cost allocation method
18 chosen relies more heavily on an "Average" component (using annual volumes), the

¹ The Average and Excess Method will yield relatively similar results to the Peak and Average Method, and the "Average" Method was included to provide a full range of impacts on the costs allocated to the various customer classes.

1 costs allocated to the residential class decrease while the costs allocated to the
2 Industrial class increase. This result will be further discussed later in my testimony.

3 **Q. PLEASE DISCUSS THE TRENDS WITH REGARD TO THE COST**
4 **ALLOCATION METHODS AND FACTORS USED TO ASSIGN DEMAND-**
5 **RELATED COSTS TO A UTILITY'S CLASSES OF SERVICE.**

6 **A.** In my experience, I have almost always seen a utility's demand-related costs assigned
7 to its classes of service using a cost allocation factor that is based upon a weighting
8 of customers' peak demands anywhere from 50% up to 100%. The remaining
9 portion of the allocation factor is weighted based on customers' annual throughput
10 volumes. Specifically, the two most prevalent demand cost allocation methods I
11 have seen are the Peak Demand and Peak and Average Methods (with Average &
12 Excess as a variant of the Peak and Average Method).

13 By definition, the Peak Demand Method reflects a 100% reliance on
14 customers' peak demands to assign demand-related costs. The Average & Excess
15 Method reflects a reliance on customers' peak demands based on the utility's annual
16 system load factor. For example, a gas utility with an annual system load factor of
17 25% would reflect a 75% reliance on customers' peak demands to assign demand-
18 related costs, with the remaining 25% of these costs assigned on the basis of
19 customers' annual throughput volume. Finally, the Peak & Average Method reflects
20 a 50% reliance on customers' peak demands to assign demand-related costs, with the

1 remaining 50% of these costs assigned on the basis of customers' throughout
2 volumes.

3 **Q. IS IT COMMON FOR A UTILITY REGULATORY COMMISSION TO**
4 **ADDRESS IN ITS RATE CASE DECISION THE MERITS OF THE**
5 **VARIOUS COST ALLOCATION METHODS AND RELATED COST**
6 **ALLOCATION FACTORS RELIED PRESENTED BY THE UTILITY OR**
7 **ANY OF THE OTHER PARTIES?**

8 A. No. It has been my experience that in the majority of completed rate cases, the
9 utility regulatory commission has not rendered a decision on the utility's cost of
10 service study either because the issue has been settled by the parties in the case (as
11 part of the class revenue and rate design determination), or because the regulatory
12 body has exercised its discretion in relying more heavily upon non-cost
13 considerations to determine the utility's change in revenues by class and its rate
14 design. As a result, there is not a rich history of regulatory precedence to cite when
15 addressing the trends in this area.

16 **Q. WHAT HAS BEEN YOUR EXPERIENCE IN THE REVIEW AND**
17 **EVALUATION OF THE PRESENTATIONS ON COST OF SERVICE**
18 **STUDIES MADE BY INTERVENOR GROUPS IN UTILITY RATE CASES?**

19 A. In my opinion, there is an inherent bias that I believe exists in the cost of service
20 study presentations of intervenor groups simply because they often represent a single

1 customer or rate class, or group of customers within an individual class. This natural
2 bias is to be expected when it is recognized that the cost of service study results
3 typically are directly relied upon to guide the particular party's determination of how
4 the utility's proposed increase in revenues is assigned to its various classes of service,
5 and in turn, its determination of the level of proposed rates. Quite frankly, I believe
6 that because the various parties to a utility's rate case have incentives to minimize
7 costs allocated to one class or another, there exist many other variations of the
8 demand cost allocation methods that I discussed earlier in my testimony.

9 **Q. CAN YOU ILLUSTRATE IN SIMPLE TERMS HOW THIS INTERVENOR**
10 **BIAS MANIFESTS ITSELF IN EACH PARTY'S REVIEW AND/OR**
11 **CONDUCT OF A UTILITY'S COST OF SERVICE STUDY?**

12 **A.** Yes. Page 2 of Exhibit RAF-1 presents the primary external cost allocation factors
13 that were used in Citizens Gas' current cost of service study sponsored by Mr. Craig
14 Jones. Within any one class, it demonstrates how a shift between using one cost
15 allocation factor over another can impact the cost of service results. For example, in
16 the Petitioner's Residential Heat class, to the extent there is less reliance placed on a
17 peak day allocation factor and more placed on an annual volume-based allocation
18 factor, this class will experience a decrease in its total cost of service. The converse
19 is true for the Large Volume and High Volume classes. Therefore, the ability of any
20 one intervenor to shift costs between classes within the Petitioner's cost of service

1 study through the cost allocation process should be clear from this illustration.

2 **Q. WHAT ARE THE IMPLICATIONS OF THIS SITUATION WHEN**
3 **CONDUCTING A UTILITY'S COST OF SERVICE STUDY?**

4 A. For these reasons, in my judgment, it is critically important that the utility's cost of
5 service study stand on its own objective merits. The operational and engineering
6 underpinnings of the utility's gas system should be the primary determinants in
7 guiding the cost analyst's choice of allocation methods and the derivation of cost
8 allocation factors. However, if a party decides to deviate from the results contained
9 in the utility's cost of service study for purposes of assigning the utility's proposed
10 revenue increase to its classes of service or setting rate levels, this should be done on
11 the basis of non-cost considerations – and characterized as such. It should not be
12 done by first adjusting the cost of service study to achieve a desired end result, and
13 then attempting to characterize the study as being based on cost causative principles.
14 Very simply, a utility's cost of service study drives its rate design, and rate design
15 should never drive the cost of service study.

16 **COST ALLOCATION TREATMENT OF DISTRIBUTION MAINS**

17 **Q. WHY HAVE YOU CHOSEN TO DISCUSS THE COST ALLOCATION**
18 **TREATMENT OF DISTRIBUTION MAINS?**

19 A. I have chosen to discuss this issue because it is a critical component of a gas
20 distribution utility's cost of service study and it can materially affect the results of the

1 cost study. This is the case because the combined plant and expense related
2 elements of distribution mains virtually always represent the largest single cost
3 component in a utility's total cost of service. I also chose to discuss this issue
4 because in Citizens Gas' last rate case the treatment of distribution mains costs was
5 an issue that received a great deal of attention by the parties.

6 **Q. PLEASE DESCRIBE THE SYSTEM OPERATING CONDITIONS THAT**
7 **PROVIDE A FOUNDATION FOR THE CHOICE OF ALLOCATION**
8 **METHODS FOR THE COSTS OF DISTRIBUTION MAINS.**

9 **A.** Gas customers in a utility's residential and commercial service classes have exhibited
10 over time declining use per customer due to the improved efficiency of capital stock
11 replacement and improvements to the thermal envelope. As a result, the growth in
12 transmission plant and distribution plant for gas customers primarily reflects the
13 growth in number of customers using gas service. That is, a utility's system of
14 distribution mains must be extended to permit customers to receive gas service. For
15 existing customers, the marginal distribution and transmission capacity related cost is
16 actually zero because the improved efficiency of equipment and the thermal envelope
17 implies lower design day requirements than the existing plant is designed to serve.
18 The primary driver of new distribution mains cost is the addition of new customers.
19 Further, for gas service there are substantial economies of scale associated with the
20 gas distribution infrastructure such that the unit cost of capacity for gas delivery

1 declines with size at a relatively rapid rate.

2 **Q. PLEASE DESCRIBE THE ECONOMIES OF SCALE ASSOCIATED WITH A**
3 **UTILITY'S DISTRIBUTION MAINS.**

4 **A.** The scale economies of gas distribution systems reflect the relationship between the
5 installed cost of pipe by size and type coupled with the increased capacity from
6 pressure and pipe diameter. For gas distribution mains, when the size of the main is
7 doubled, the available design day capacity of that main more than doubles. The unit
8 cost of the larger main is approximately equal to or less than twice the cost of the
9 smaller size main, all else being equal. For a low pressure system, increasing pipe
10 size from two inch to four inch allows over five times the amount of gas to flow, and
11 under higher pressure, the flow rate increases by more than six times that of two inch
12 pipe, all else being equal. The resulting cost causation implies that larger customers
13 impose lower unit costs on the distribution system than do smaller customers.
14 Further, given the customer density and standard operating pressure for the Citizens
15 Gas system, the minimum size of pipe installed (2 inch main) will serve the design
16 day load characteristics of its entire size range of residential customers.

17 **Q. WHAT ARE THE COST ALLOCATION IMPLICATIONS THAT ARISE**
18 **FROM THE OPERATING CHARACTERISTICS OF THE GAS**
19 **DISTRIBUTION SYSTEM YOU JUST DESCRIBED?**

1 A. First and foremost, it is not proper to allocate the cost of distribution mains using any
2 form of volumetric or commodity-based allocation factor. As I just pointed out, there
3 are tremendous economies of scale in a utility's investment in distribution mains.
4 Exhibit RAF-2 illustrates the scale economies associated with two and four inch
5 mains based on the current costs of Citizens Gas. In this Exhibit, the installed cost
6 per foot of design day flow capacity is approximately 76 percent less for four inch
7 pipe than for two inch pipe. Further, the two inch pipe will serve a customer with a
8 design day requirement of approximately 14 Mcf. Using a 20 percent annual load
9 factor to estimate the annual consumption of a customer with a design day
10 requirement of 14 Mcf translates to 1,022 Mcf annually. Essentially, the smallest
11 installed main and service will serve virtually all of Citizens Gas' residential
12 customers. The design day requirements of the residential class are satisfied by the
13 smallest main installed on the system. This implies that all customers are equally
14 responsible for delivery service costs. The same conclusion applies to the
15 Company's average-sized general service customers. As a result, any allocation of
16 the cost of mains that uses throughput as an allocation factor allocates costs
17 inappropriately when compared to the underlying engineering and operating
18 conditions of the system.

19 Second, once the distribution mains are in place to serve customers, changes
20 in the amount of commodity consumed cannot raise or lower the cost of providing

1 delivery service to the customer. If commodity changes do not cause a change in
2 costs, it is not reasonable to conclude that commodity consumption causes
3 distribution main costs.

4 **Q. IN YOUR EXPERT OPINION, HOW SHOULD DISTRIBUTION MAINS BE**
5 **CLASSIFIED AND ALLOCATED IN A GAS DISTRIBUTION UTILITY'S**
6 **COST OF SERVICE STUDY?**

7 **A.** In my view, it is widely accepted that distribution mains (Account No. 376) are installed
8 to meet both system peak period load requirements and to connect customers to the gas
9 utility's system. Therefore, to ensure that the rate classes that cause the incurrence of this
10 plant investment or expense are properly charged with its cost, distribution mains should
11 be allocated to the rate classes in proportion to their peak period load requirements and
12 numbers of customers.

13 There are two cost factors that influence the level of distribution mains
14 facilities installed by a gas utility in expanding its gas distribution system. First, the
15 size of the distribution main (i.e., the diameter of the main) is directly influenced by
16 the sum of the peak period gas demands placed on the gas utility's system by its
17 customers. Secondly, the total installed footage of distribution mains is influenced
18 by the need to expand the distribution system grid to connect new customers to the
19 system. Therefore, to recognize that these two cost factors influence the level of
20 investment in distribution mains, it is appropriate to allocate such investment based

1 on both peak period demands and the number of customers served by the gas utility.

2 **Q. IS THE METHOD USED TO DETERMINE A CUSTOMER COMPONENT**
3 **OF DISTRIBUTION MAINS A GENERALLY ACCEPTED TECHNIQUE**
4 **FOR IDENTIFYING CUSTOMER COSTS?**

5 A. Yes. The two most commonly used methods for determining the customer cost
6 component of distribution mains facilities consist of the following: (1) the zero-intercept
7 approach; and 2) the most commonly installed, minimum-sized unit of plant investment.
8 Under the zero-intercept approach, which is the method utilized in Citizens Gas' cost of
9 service study, a customer cost component is developed through regression analyses to
10 determine the unit cost associated with a zero inch diameter distribution main. The
11 method regresses unit costs associated with the various sized distribution mains installed
12 on the gas utility system against the size (diameter) of the various distribution mains
13 installed. The zero-intercept method seeks to identify that portion of plant representing
14 the smallest size pipe required merely to connect any customer to the gas utility's
15 distribution system, regardless of his peak or annual gas consumption.

16 The most commonly installed, minimum-sized unit approach, is intended to
17 reflect the engineering considerations associated with installing distribution mains to
18 serve gas customers. That is, the method utilizes actual installed investment units to
19 determine the minimum distribution system rather than a statistical analysis based
20 upon investment characteristics of the entire distribution system. Two of the more

1 commonly accepted literary references relied upon when preparing embedded cost of
2 service studies, (1) Electric Utility Cost Allocation Manual, by John J. Doran et al,
3 National Association of Regulatory Utility Commissioners (NARUC), and (2) Gas
4 Rate Fundamentals, American Gas Association, both describe minimum system
5 concepts and methods as an appropriate technique for determining the customer
6 component of utility distribution facilities.

7 From an overall regulatory perspective, in its publication entitled, Gas Rate
8 Design Manual, NARUC presents a section which describes the zero-intercept
9 approach as a minimum system method to be used when identifying and quantifying
10 a customer cost component of distribution mains investment. Clearly, the existence
11 and utilization of a customer component of distribution facilities, specifically for
12 distribution mains, is a fully supportable and commonly used approach in the gas
13 industry.

14 **Q. PLEASE SUMMARIZE THE POSITIONS OF THE PARTIES IN CITIZENS**
15 **GAS' LAST RATE CASE PERTAINING TO THE TREATMENT OF**
16 **DISTRIBUTION MAINS IN ITS COST OF SERVICE STUDY.**

17 **A.** Citizens Gas classified distribution mains as demand-related and allocated the plant
18 and expense related elements to its classes of service based on their peak demands
19 expected on a design day. The Indiana Office of Utility Consumer Counselor
20 ("OUCC") argued that distribution mains should be allocated using a compound

1 allocation factor based on 20% peak demand and 80% annual throughput volume.

2 Finally, the Citizens Industrial Group ("CIG") argued that distribution mains should
3 be allocated on a combined peak demand and customer basis.

4 **Q. WHY DO SOME COST ANALYSTS ADOPT A COST ALLOCATION**
5 **METHOD THAT USES A VOLUMETRIC OR COMMODITY-BASED**
6 **ALLOCATION FACTOR?**

7 A. The use of a commodity-based allocation factor assigns more cost to higher load
8 factor customers and less cost to lower load factor customers. On most gas
9 distribution systems, the practical result of such an allocation is to reduce costs for
10 residential customers and increase costs for industrial or large volume customers.
11 While this is the outcome of using a commodity allocation factor, the rationale is
12 usually discussed by the cost analyst supporting such a method in terms of cost
13 causation. As demonstrated above, volume or commodity does not cause distribution
14 mains costs. Nevertheless, some cost analysts often seek to define cost causation
15 based on an argument that the gas distribution system would not be built if it were
16 not for customers' commodity consumption. Their argument relies upon the concept
17 I characterize as the "commodity delivery function." The concept of a "commodity
18 delivery function" relates to the notion that a gas distribution utility delivers a gas
19 commodity through its distribution system. In other words, these cost analysts view
20 the "commodity delivery function" as the reason for the existence of gas distribution

1 utilities, and it is the reason why those facilities were originally installed. While it is
2 obvious that all customers utilize the utility's gas distribution system to receive
3 delivery service, that fact provides little, if any, insight into the manner in which the
4 utility incurs costs to provide such service.

5 In reality, customers value the availability of the design day capacity when it
6 is needed and are willing to pay for that capacity even though it is not utilized, except
7 under design day conditions because of the importance of service reliability under
8 design day conditions. Once capacity is available to serve the design day, commodity
9 use during all other days of the year has no impact at all on a utility's system costs.
10 Simply stated, annual usage does not cause any delivery system costs to be incurred
11 by the utility. The installation of additional distribution mains to move gas from the
12 existing system to new customers is more correctly thought of as being customer
13 related, and when the smallest pipe installed will meet design day requirements for
14 nearly all customers in the class, the design day requirement causes the same costs for
15 all customers in the class. For larger customers, the unit cost is lower than for
16 smaller customers simply because they require larger diameter mains to serve their
17 higher design day demands – and those larger mains have lower unit costs due to the
18 previously demonstrated economies of scale.

19 **Q. IF THE UNIT COST OF DISTRIBUTION MAINS CAPACITY IS LOWER**
20 **FOR CLASSES COMPOSED OF LARGER CUSTOMERS, WHAT DOES**

1 **THIS SUGGEST ABOUT ANY COMMODITY-BASED ALLOCATION**
2 **METHOD USED TO ASSIGN THESE COSTS TO A UTILITY'S CLASSES**
3 **OF SERVICE?**

4 A. Any commodity-based allocation method assigns higher total costs to larger
5 customers based on the use of commodity when system costs are either the same or
6 less for these higher commodity users. This allocation violates the fundamental
7 principle of cost causation because these larger customers cause the same or less cost
8 to be incurred by the utility.

9 **Q. WHAT ARE THE RESULTS OF THIS FOR COST ALLOCATION**
10 **PURPOSES?**

11 A. As the cost analyst relies more heavily on the concept of a "commodity delivery
12 function" to choose a cost allocation method for distribution mains, the resulting cost
13 allocation factor based on a greater weighting of commodity volumes would quickly
14 cause a result where the unit cost to serve each customer class would be identical.
15 This would occur because the customers' use of the utility's gas distribution system,
16 as measured by annual volume, would create a cost allocation factor that simply
17 assigns costs to the utility's classes of service on a pro-rata basis without regard for
18 either economies of scale or customers' load factors.

19 **Q. CAN YOU ILLUSTRATE HOW THE OUCC'S METHOD OF ALLOCATING**
20 **DISTRIBUTION MAINS TO CITIZENS GAS' CLASSES OF SERVICE**

**FAILS TO REFLECT THE ECONOMIES OF SCALE ASSOCIATED WITH
THIS TYPE OF PLANT INVESTMENT?**

1
2
3 A. Yes. Exhibit RAF-3 presents a portion of Citizens Gas' current cost of service study
4 that addresses its investment in distribution mains. The Exhibit shows the result of
5 allocating distribution mains under the Petitioner's cost allocation method (on a peak
6 demand and customer basis) and the result under the OUCC's method used in the
7 Petitioner's last rate case. For each method, I have computed the resulting unit cost
8 by rate class (stated in \$ per Dth). I have also computed the percent difference in
9 unit cost for each rate class compared to the combined Residential rate class. Under
10 the Petitioner's method, the unit cost of distribution mains for the High Load class is
11 71 percent less than the unit cost for the Residential class. This significant
12 difference is very comparable to the percent difference in unit costs (76 percent less)
13 between smaller and larger size distribution mains, due to economies of scale, which
14 I presented in Exhibit RAF-2. In contrast, when you examine the resulting allocation
15 of costs and related unit costs under the OUCC's method, you observe a very
16 different outcome – and one which belies the operating and cost economies of
17 Citizens Gas' distribution mains. Under the OUCC's method, the unit cost of
18 distribution mains for the High Load class is only 14 percent less than the unit cost
19 for the Residential class. In effect, the OUCC's heavy reliance on commodity
20 volumes (80 percent) is not able to reflect the cost causative characteristics inherent in

1 the Petitioner's distribution mains system, which are driven by its economies of
2 scale.

3 **Q. ON THIS BASIS, WHAT DO YOU CONCLUDE WITH REGARD TO THE**
4 **COST ALLOCATION METHOD PREVIOUSLY USED BY THE OUCC FOR**
5 **THE COSTS OF CITIZENS GAS' DISTRIBUTION MAINS?**

6 **A. In my opinion, based on the above-described cost and operating characteristics of**
7 distribution mains, I believe that the OUCC's use of an 80% throughput and 20%
8 peak day cost allocation methodology to assign the cost of distribution mains to a
9 utility's classes of service is an inappropriate approach that creates unreasonable
10 results.

11 **Q. DOES THAT COMPLETE YOUR DIRECT TESTIMONY?**

12 **A. Yes, it does.**

1
2 VERIFICATION
3

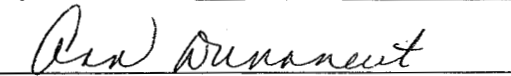
4 STATE OF PENNSYLVANIA)
5) ss:
6 COUNTY OF ALLEGHENY)
7

8 The undersigned, Russell A. Feingold, under penalties of perjury and being first duly
9 sworn on his oath, says that he is a Vice President with Black & Veatch Corporation;
10 that he caused to be prepared and read the foregoing Direct Testimony; and that the
11 representations set forth therein are true and correct to the best of his knowledge,
12 information and belief.
13
14

15
16 

17 By: Russell A. Feingold
18 Vice President, Black & Veatch Corporation
19
20

21 Subscribed and sworn to before me, a Notary Public, this 27th day of March, 2008.
22

23 
24 Signature

25 Ann Dunavent
26 Printed Name
27

28
29 My Commission Expires: 08/11/08
30

31 My County of Residence: Hancock
32

**EDUCATIONAL BACKGROUND, WORK EXPERIENCE
AND REGULATORY EXPERIENCE**
RUSSELL A. FEINGOLD

EDUCATIONAL BACKGROUND

- Bachelor of Science degree in Electrical Engineering from Washington University in St. Louis
- Master of Science degree in Financial Management from Polytechnic University of New York

WORK EXPERIENCE

2007 – Present	Black & Veatch Corporation Vice President, Enterprise Management Solutions Division and Rate & Regulatory Advisory Lead
1997 – 2007	Navigant Consulting, Inc. Managing Director, Energy Practice - Litigation, Regulatory & Markets Group
1990 – 1997	R.J. Rudden Associates, Inc. Vice President and Director
1985 – 1990	Price Waterhouse Director, Gas Regulatory Services Public Utilities Industry Services Group
1978 – 1985	Stone & Webster Management Consultants, Inc. Executive Consultant Regulatory Services Division

1973 – 1978

Port Authority of New York and New Jersey

Staff Engineer and Utility Rate Specialist

Design Engineering Division

PRESENTATION OF EXPERT TESTIMONY

- Federal Energy Regulatory Commission
- Arkansas Public Service Commission
- British Columbia Utilities Commission (Canada)
- California Public Utilities Commission
- Connecticut Department of Public Utility Control
- Delaware Public Service Commission
- Georgia Public Service Commission
- Illinois Commerce Commission
- Indiana Utility Regulatory Commission
- Manitoba Public Utilities Board (Canada)
- Massachusetts Department of Public Utilities
- Michigan Public Service Commission
- Missouri Public Service Commission
- Montana Public Service Commission
- New Hampshire Public Utilities Commission
- New Jersey Board of Public Utilities
- New Mexico Public Regulation Commission
- New York Public Service Commission
- North Carolina Utilities Commission
- North Dakota Public Service Commission
- Ohio Public Utilities Commission

- Oklahoma Corporation Commission
- Ontario Energy Board (Canada)
- Pennsylvania Public Utility Commission
- Philadelphia Gas Commission
- Quebec Natural Gas Board (Canada)
- South Dakota Public Service Commission
- Utah Public Service Commission
- Vermont Public Service Board
- Virginia State Corporation Commission
- Washington Utilities and Transportation Commission
- Public Service Commission of Wyoming

EDUCATIONAL AND TRAINING ACTIVITIES

- Past Chairman, Rate Training Subcommittee, Rate and Strategic Issues Committee of the American Gas Association.
- Seminar organizer and co-moderator at the American Gas Association, "Workshop on Unbundling and LDC Restructuring," July 1995.
- Course organizer and speaker at the annual industry course, American Gas Association – Gas Rate Fundamentals Course, University of Wisconsin – Madison, 1985 – 2007.
- Course organizer and speaker at the annual industry course, American Gas Association – Advanced Regulatory Seminar, University of Maryland - College Park, 1987 – 1992.
- Co-founder, course director and instructor in the annual course, "Principles of Gas Utility Rate Regulation" sponsored by The Center for Professional Advancement 1982-1987.
- Contributing Author of the Fourth Edition of "Gas Rate Fundamentals," American Gas Association, 1987 edition.

- Organizer, Editor, and Contributing Author of the upcoming Fifth Edition of "Gas Rate Fundamentals," American Gas Association (in progress).

PUBLICATIONS AND PRESENTATIONS

- "Facilitating Incentive-Based Pricing in Natural Gas and Electric Markets," The Institute for Regulatory Policy Studies, Illinois State University, May 2008 (Upcoming).
- "Update on Revenue Decoupling and Innovative Rates," American Gas Association, Rate Committee Meeting and Regulatory Issues Seminar, March 10, 2008.
- "Update on Revenue Decoupling and Utility Based Energy Conservation Efforts," American Gas Association, Rate and Regulatory Issues Conference Webcast, May 30, 2007.
- "A Renewed Focus on Energy Efficiency by Utility Regulators," American Gas Association, Rate and Regulatory Issues Seminar and Committee Meetings, March 26, 2007.
- "The Continuing Ratemaking Challenge of Declining Use Per Customer," American Public Gas Association, Gas Utility Management Conference, October 31, 2006.
- "Understanding and Managing the New Reality of Utility Costs in the Natural Gas Industry," Financial Research Institute, Public Utility Symposium, University of Missouri – Columbia, September 27, 2006.
- "Ratemaking and Energy Efficiency Initiatives: Key Issues and Perspectives," American Gas Association, Ratemaking Webcast, September 14, 2006.
- "Ratemaking Solutions in an Era of Declining Gas Usage and Price Volatility," Northeast Gas Association, 2006 Executive Conference, September 10-12, 2006.
- "Rethinking Natural Gas Utility Rate Design," American Gas Foundation and The NARUC Foundation, Executive Forum, Ohio State University, May 2006.
- "Rate Design, Trackers, and Energy Efficiency – Has the Paradigm Shifted?" Energy Bar Association, Midwest Energy Conference, March 2006.
- "Key Regulatory Issues Affecting Energy Utilities," American Gas Association, Lunch 'n Learn Session, November 2005.
- "Decoupling, Conservation, and Margin Tracking Mechanisms," American Gas Association, Rate & Regulatory Issues – Audio Conference Series, October 2005.

- "In Search of Harmony, [Utilities and Regulators] Respondents Weigh in with Needed Actions", Public Utilities Fortnightly, November 2005
- "The Use of Trackers as a Regulatory Tool," Midwest Energy Association – Legal, Regulatory, and Government Relations Roundtable, October 9-11, 2005.
- "Rate Design and the Regulatory Environment," American Gas Association Finance Committee Meeting, October 2005.
- "Creative Utility Regulatory Strategies in a High Price Environment," American Gas Association Executive Conference, September 2005.
- "Revenue Decoupling Programs: Aligning Diverse Interests," The Institute for Regulatory Policy Studies, Illinois State University, May 2005.
- "Key Regulatory Issues Affecting Energy Utilities" American Gas Association Financial Forum, May 2005.
- "Energy Efficiency and Revenue Decoupling: A True Alignment of Customer and Shareholder Interests," American Gas Association Rate and Regulatory Issues Seminar and Committee Meetings, April 2005.
- "Rate Case Techniques: Strategies and Pitfalls" American Gas Association, Rate & Regulatory Issues – Audio Conference Series, March 2005.
- "Regulatory Uncertainty: The Ratemaking Challenge Continues" Public Utilities Fortnightly, Volume 142, No. 11, November 2004.
- "Current Trends in Utility Rate Cases and Pricing: Surveying the Landscape," Platts Rate Case & Pricing Symposium, October 25-26, 2004.
- "State Regulatory Oversight of the Gas Procurement Function" Energy Bar Association, Natural Gas Regulation Committee, Energy Law Journal, Volume 25, No. 1, 2004.
- "Cost Allocation Across Corporate Divisions", American Gas Association, Rate and Strategic Issues Committee Meeting, April 2003.
- "Unbundling Initiatives – How Far Can We Go?" American Gas Association Restructuring Seminar: Service and Revenue Enhancements for the Energy Distribution Business, December 2002.
- "Utility Regulation and Performance-Based Ratemaking (PBR)," PBR Briefing Session sponsored by BC Gas Utility Ltd., April 2002.
- "LDC Perspectives on Managing Price Volatility" American Gas Association, Rate and Strategic Issues Committee Meeting, March 2002.

- "Can a California Energy Crisis Occur Elsewhere?" American Gas Association, Rate and Strategic Issues Committee Meeting, March 2001.
- "Downstream Unbundling: Opportunities and Risks," American Gas Association, Rate and Strategic Issues Committee Meeting, April 2000.
- "Form Follows Function: Which Corporate Strategy Will Predominate in the New Millennium?" American Gas Association 1999 Workshop on Regulation and Business Strategy for Utilities in the New Millennium, August 1999
- "Total Energy Providers: Key Structural and Regulatory Issues," American Gas Association, Rate and Strategic Issues Committee Meeting, April 1999.
- "The Gas Industry: A View of the Next Decade," National Association of Regulatory Utility Commissioners (NARUC) Staff Subcommittee on Accounts, 1998 Fall Meeting, September 1998.
- "Regulatory Responses to the Changing Gas Industry," Canadian Gas Association, 1998 Corporate Challenges Conference, September 1998
- "Trends in Performance-Based Pricing," American Gas Association Financial Analysts Conference, May 1998.
- "Unbundling – An Opportunity or Threat for Customer Care?" presented at the American Gas Association/Edison Electric Institute Customer Services Conference and Exposition, May 1998.
- "Experiences in Electric and Gas Unbundling," presented at the 1997 Indiana Energy Conference, December 1997.
- "Asset and Resource Migration Strategies," presented at the Strategic Marketing For The New Marketplace Conference sponsored by Electric Utility Consultants, Inc. and Metzler & Associates, November 1997.
- "The Status of Unbundling in the Gas Industry," presented at the American Gas Association Finance Committee, March 1997.
- Seminar organizer and co-moderator at the American Gas Association, "Workshop on Unbundling and LDC Restructuring," July 1995.
- "State Regulatory Update," presented at the American Gas Association - Financial Forum, May 1995.
- "Gas Pricing Strategies and Related Rate Considerations," presented before the Rate Committee of the American Gas Association, April 1995.

- "Avoided Cost Concepts and Management Considerations," presented before the Workshop on Avoided Costs in a Post-636 Industry, sponsored by the Gas Research Institute and Wisconsin Center for Demand-Side Research, June 1994.
- "DSM Program Selection Under Order No. 636: Effect of Changing Gas Avoided Costs," presented before the NARUC-DOE Fifth National Integrated Resource Planning Conference, Kalispell, MT, May 1994.
- "A Review of Recent Gas IRP Activities," presented before the Rate Committee of the American Gas Association, March 1994.
- Seminar organizer and co-moderator at the American Gas Association seminar, "The Statue of Integrated Resource Planning," December 1993.
- "Industry Restructuring Issues for LDCs, presented before the American Gas Association-Advanced Regulatory Seminar, University of Maryland, 1993-1996.
- "Acquiring and Using Gas Storage Services," presented before the 8th Cogeneration and Independent Power Congress and Natural Gas Purchasing '93, June 1993.
- "Capitalizing on the New Relationships Arising Between the Various Industry Segments: Understanding How You Can Play in Today's Market," presented before the Institute of Gas Technology's Natural Gas Markets and Marketing Conference, February 1993.
- "The Level Playing Field for Fuel Substitution (or, the Quest for the Holy Grail)," presented before the 4th Natural Gas Industry Forum - Integrated Resource Planning: The Contribution of Natural Gas, October 1992.
- "Key Methodological Considerations in Developing Gas Long-Run Avoided Costs," presented before the NARUC-DOE Fourth National Integrated Resource Planning Conference, September 1992.
- "Mega-NOPR Impacts on Transportation Arrangements for IPPs," co-presented before the 7th Cogeneration and Independent Power Congress and Natural Gas Purchasing '92, June 1992.
- "Cost Allocation in Utility Rate Proceedings," presented before the Ohio State Bar Association - Annual Convention, May 1992.
- "The Long and the Short of LRACs," presented before the Natural Gas Least-Cost Planning Conference April 1992, sponsored by Washington Gas Company and the District of Columbia Energy office.
- Seminar organizer and moderator at the American Gas Association seminar, "Integrated Resource Planning: A Primer," December 1991.

- Session organizer and moderator on integrated resource planning issues at the American Gas Association Annual Conference, October 1991.
- "Strategic Perspectives on the Rate Design Process," presented before the Executive Enterprises, Inc. conference, "Natural Gas Pricing and Rate Design in the 1990s," September 1990.
- "Distribution Company Transportation Rates," presented before the American Gas Association-Advanced Regulatory Seminar, University of Maryland 1987-1992.
- "Design of Distribution Company Gas Rates," presented before the American Gas Association - Gas Rate Fundamentals Course, University of Wisconsin, 1985-1998.
- Seminar organizer, speaker and panel moderator at the American Gas Association seminar, "Natural Gas Strategies: Integrating Supply Planning, Marketing and Pricing," 1988-1990.
- "Local Distribution Company Bypass - Issues and Industry Responses," (Co-author) June 1989.
- "So You Think You Know Your Customers!," presented before the American Gas Association-Annual Marketing Conference, April 1990.
- "Gas Transportation Rate Considerations - A Review of Gas Transportation Practices Based on the Results of the A.G.A. Annual Pricing Strategies Survey," presented before the Rate Committee of the American Gas Association, April 1985-1991.
- "Market-Based Pricing Strategies - Targeted Rates to Meet Competition," presented before the American Gas Association Annual Marketing Conference, March 1989.
- "Gas Rate Restructuring Issues - Targeted Prices to Meet Competition," presented before the Fifteenth Annual Rate Symposium, University of Missouri, February 1989.
- "Gas Transportation Rates - An Integral Part of a Competitive Marketplace," *American Gas Association, Financial Quarterly Review*, Summer 1987.
- "Gas Distributor Rate Design Responses to the Competitive Fuel Situation," *American Gas Association, Financial Quarterly Review*, October 1983.
- "Demand-Commodity Rates: A Second Best Response to the Competitive Fuel Situation," presented before the American Gas Association, Ratemaking Options Forum, September 1983.

- Cofounder, course director and instructor in the annual course, "Principles of Gas Utility Rate Regulation" sponsored by The Center for Professional Advancement 1982-1987.
- "Current Rate and Regulatory Issues," presented before the National Fuel Gas Regulatory Seminar, July 1986.

AFFILIATIONS AND HONORS

- Financial Associate Member, American Gas Association
- Member, Rate Committee of the American Gas Association
- Member, Energy Bar Association
- Member, Institute of Electrical and Electronic Engineers
- Listed in Who's Who of Emerging Leaders in America, 1989-1992

(Current as of March 2008)

CITIZENS GAS & COKE UTILITY

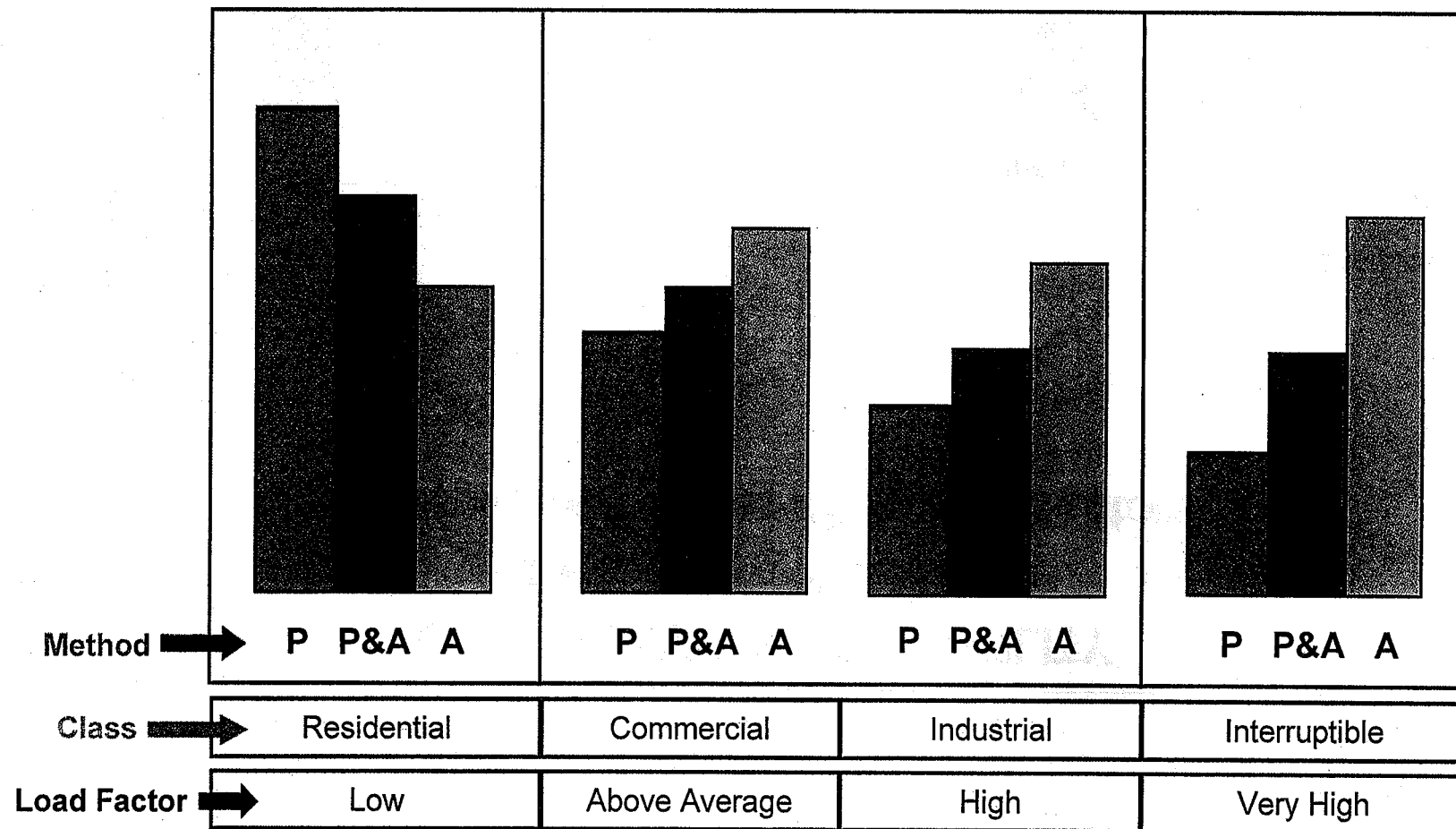
IURC Cause No. 43463

Exhibit RAF-1

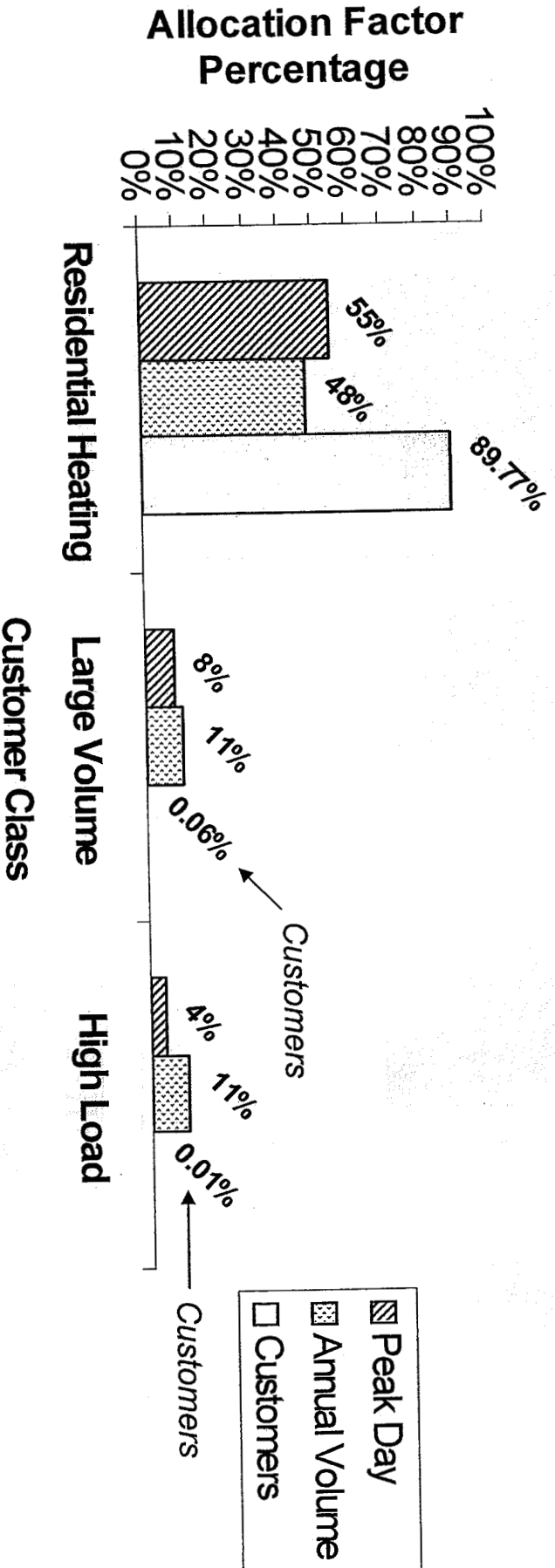
Page 1 of 2

Impact of Various Demand Cost Allocation Methods on a Utility's Cost of Service Study Results

Cost of Service (in Relative Dollars)



CITIZENS GAS & COKE UTILITY IURC Cause No. 43463 Comparison of Cost Allocation Factors



CITIZENS GAS & COKE UTILITY

Exhibit RAF-2

IURC Cause No. 43463

Economies of Scale for Distribution Mains

<u>Size of Main</u>	<u>Material Cost</u>	<u>Installation Cost</u>	<u>Total Cost</u>	<u>Design Day</u>	<u>Unit Cost</u>
(inches)	(\$ per Foot)	(\$ per Foot)	(\$ per Foot)	(Mcf/d)	(\$ per Mcfd)
2	2.51	7.61	10.12	667	0.0152
4	3.89	10.45	14.34	4010	0.0036

Assumptions:

- (1) All costs are stated at current cost levels
- (2) Cost information based on recent actual installations by Citizens Gas
- (3) Flow calculations assuming:
 - a) 20 psig inlet pressure
 - b) 12 psig outlet pressure (a 40% pressure drop)
 - c) 100 foot main segment
 - d) use of the Spitzglass High Pressure formula

CITIZENS GAS & COKE UTILITY

Exhibit RAF-3

IURC Cause No. 43463

Impact of Cost Allocation Methods on the Assignment of Distribution Mains by Rate Class

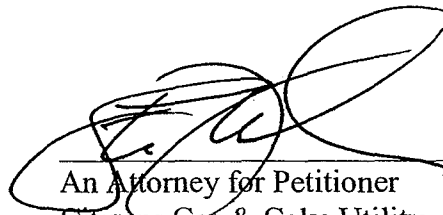
PRIMARY EXTERNAL FACTOR DATA		Res	Res	Gen	Gen	Large		High
	Total	Nonheat	Heat	Nonheat	Heat	Volume	CNG	Load
Total sales (Dth)	47,700,216	118,504	22,825,291	884,885	13,814,946	5,014,985	2,400	5,039,205
Summer sales (Dth)	13,388,179	37,874	4,672,905	415,030	3,458,688	2,202,896	1,400	2,599,386
Seasonal demand vol (Dth)	32,628,260	71,411	19,562,591	273,188	10,595,225	1,838,955	0	286,890
Peak day (Dthd)	543,844	1,292	300,040	4,951	168,493	45,333	7	23,728
Retail sales (Dth)	37,684,537	118,504	22,825,291	710,465	11,996,753	2,031,124	2,400	0
Total bills (avg # cust x 12)	3,182,117	44,772	2,856,667	15,142	263,348	1,936	12	240
Avg number of customers	265,176	3,731	238,056	1,262	21,946	161	1	20
PRIMARY EXTERNAL FACTORS								
Total sales (Dth)	1.000000	0.002484	0.478517	0.018551	0.289620	0.105135	0.000050	0.105643
Summer sales (Dth)	1.000000	0.002829	0.349032	0.031000	0.258339	0.164540	0.000105	0.194155
Seasonal demand vol (Dth)	1.000000	0.002189	0.599559	0.008373	0.324725	0.056361	0.000000	0.008793
Peak day (Dthd)	1.000000	0.002376	0.551701	0.009104	0.309819	0.083357	0.000013	0.043630
Retail sales (Dth)	1.000000	0.003145	0.605693	0.018853	0.318347	0.053898	0.000064	0.000000
Total bills	1.000000	0.014070	0.897726	0.004758	0.082759	0.000608	0.000004	0.000075
Avg number of customers	1.000000	0.014070	0.897726	0.004758	0.082759	0.000608	0.000004	0.000075
Annual Use Per Customer (Dth)	180	32	96	701	630	31,085	2,400	251,960
Annual Load Factor	24.0%	25.1%	20.8%	49.0%	22.5%	30.3%	93.9%	58.2%
Distribution Mains Plant								
Petitioner Method								
Demand-Related	\$ 193,433.4	\$ 459.6	\$ 106,717.4	\$ 1,761.0	\$ 59,929.3	\$ 16,124.0	\$ 2.5	\$ 8,439.5
Customer-Related	\$ 29,123.0	\$ 409.8	\$ 26,144.5	\$ 138.6	\$ 2,410.2	\$ 17.7	\$ 0.1	\$ 2.2
Total	\$ 222,556.4	\$ 869.4	\$ 132,861.9	\$ 1,899.6	\$ 62,339.5	\$ 16,141.7	\$ 2.6	\$ 8,441.7
Unit Cost (\$/Dth)	\$ 4.67	\$ 7.34	\$ 5.82	\$ 2.15	\$ 4.51	\$ 3.22	\$ 1.10	\$ 1.68
Percent Difference in Unit Cost Compared to Residential Class			\$ 5.83	-63%	-22%	-45%	-81%	-71%
OUC Method								
Demand-Related	\$ 44,511.3	\$ 105.8	\$ 24,556.9	\$ 405.2	\$ 13,790.4	\$ 3,710.3	\$ 0.6	\$ 1,942.0
Commodity-Related	\$ 178,045.1	\$ 442.3	\$ 85,197.6	\$ 3,302.9	\$ 51,565.4	\$ 18,718.8	\$ 8.9	\$ 18,809.2
Total	\$ 222,556.4	\$ 548.0	\$ 109,754.5	\$ 3,708.1	\$ 65,355.9	\$ 22,429.1	\$ 9.5	\$ 20,751.2
Unit Cost (\$/Dth)	\$ 4.67	\$ 4.62	\$ 4.81	\$ 4.19	\$ 4.73	\$ 4.47	\$ 3.95	\$ 4.12
Percent Difference in Unit Cost Compared to Residential Class			\$ 4.81	-13%	-2%	-7%	-18%	-14%
Unit Cost Difference (Company vs. OUC Method)		\$ (2.71)	\$ (1.01)	\$ 2.04	\$ 0.22	\$ 1.25	\$ 2.85	\$ 2.44
Percent Difference		-37.0%	-17.4%	95.2%	4.8%	39.0%	260.3%	145.8%

CERTIFICATE OF SERVICE

The undersigned hereby certify that a copy of the "Direct Testimony and Exhibits of Craig A. Jones and Russell A. Feingold" was served this 28th day of March, 2008 by personal delivery or First Class United States mail on the following:

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